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Montana
Department
of
Revenue

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Report of the Department of Revenue
Agricultural Land Advisory Committee

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Property Tax Incentives for Business in Montana

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PROPERTY ASSESSMENT

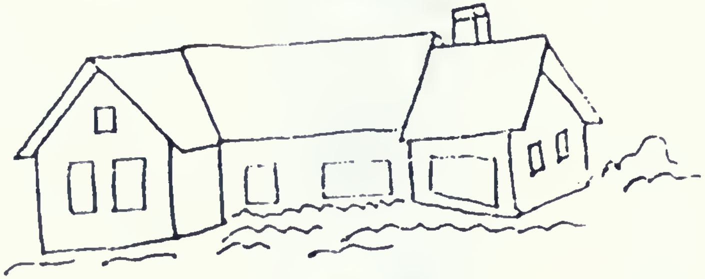
Although 95% of property taxes collected are spent locally, the Property Assessment Division is responsible for insuring that all property in the state is treated fairly. The Division's duties include the appraisal, assessment, and equalization of the value of all property in the state for the purpose of taxation.

Most real estate and improvements are appraised by state employees in the appraisal office in each county. The county assessor is assigned the responsibility for appraising most personal property as an agent of the department. The rate of tax on the various classes of property and the establishment of the actual classes is a function of the Legislature.

Property that is single and continuous and is more than one county (such as railways, telephone lines, power lines and pipelines) is centrally assessed by the Property Assessment Division. The valuation is apportioned to counties and other jurisdictions on a mileage basis or other basis to be "reasonable and proper."

In 1975, the legislature required the Department of Revenue to administer and supervise a program for the revaluation every five years of all taxable property within the state. In 1991, the legislature reduce future reappraisal cycles from five to three years. Revaluations (more commonly called reappraisal cycles) are designed to insure that all property is taxed on current structural and market information. Montana's second statewide reappraisal was completed in the 1985. The new reappraisal values were first used for the 1986 tax year. The state's third reappraisal is scheduled to be completed by December 31, 1992.

YOUR HOUSE as seen by:



YOUR LENDER

YOURSELF

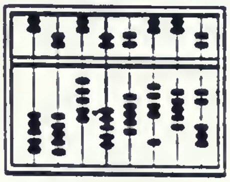
YOUR BUYER

YOUR INSURANCE APPRAISER

YOUR TAX ASSESSOR

$20,000 = MARKET VALUE

$20,000 x 3.86% = $772
MARKET VALUE x TAX RATE = TAXABLE VALUE



$772 x .250 = $193.00
TAXABLE VALUE x MILL LEVY = TAXES

PROPERTY TAXATION

All taxable property must be assessed at 100% of its market value except as otherwise provided (15-8-111, MCA).

Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

$20,000 = Market Value

The market value is multiplied times the statutory taxable percentage to get the taxable value of the property.

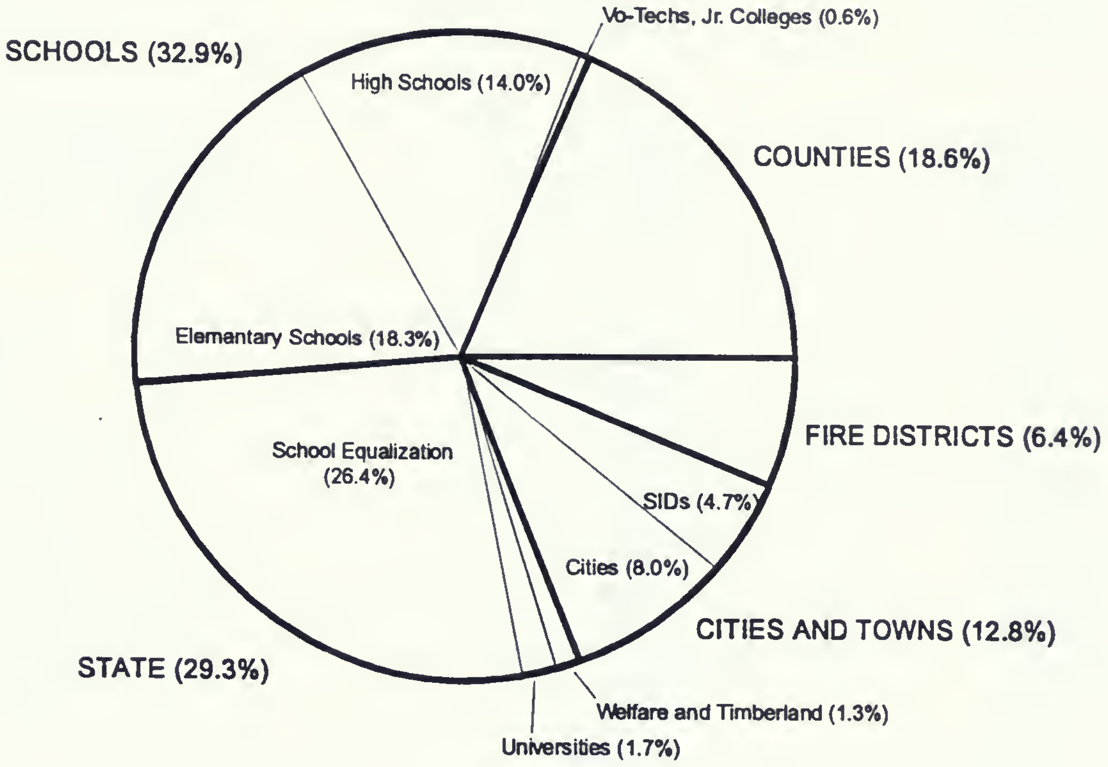
$20,000 X 3.86% = $772
Market X Taxable percentage = Taxable Value

The taxable value is multiplied times the mill levy of the district to get taxes.

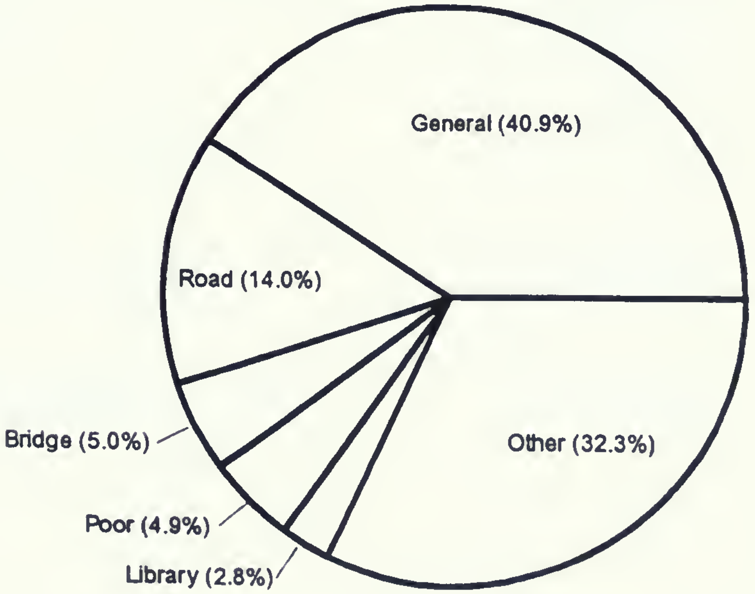
$772 X 250 mills = $193

A mill is a tenth of a cent, so a levy of 250 translates to $250 per $1,000 of taxable value ($1,000 X .250 = $250).

Property Taxes Levied in 1992



Counties Breakdown



TAXES LEVIED IN MONTANA 1991 - 1992

	1991	1992
Market Valuation	$ 27,783,297,314	$ 28,421,290,593
Taxable Valuation	$ 1,595,221,460	$ 1,632,622,989
State		
University	$ 9,571,997	$ 9,810,675
School Equalization	151,556,626	155,335,684
State Assumption of Welfare	6,905,179	7,065,841
Timberland Assessment	354,677	355,692
	$ 168,388,479	**$ 172,567,892**
County		
General	$ 41,125,105	$ 44,773,421
Road	15,013,214	15,360,545
Bridge	5,369,209	5,525,353
Poor	4,987,987	5,367,451
Bond Interest	1,049,245	618,684
County Fair	1,482,409	1,531,917
Library	2,968,464	3,098,784
Agricultural Extension	1,582,733	1,546,415
Planning	687,359	709,625
Health and Sanitation	1,585,162	1,745,730
Hospital	1,435,842	1,204,587
Airport	1,080,157	974,767
Other	25,522,762	26,993,816
	$ 103,889,648	**$ 109,451,095**
Local Schools		
Elementary	$ 102,559,030	$ 107,559,828
High School	77,847,503	82,539,274
Vo-tech and Jr. College	3,626,935	3,680,656
	$ 184,033,468	**$ 193,779,758**
Miscellaneous Districts		
Fire	$ 8,555,519	$ 9,448,774
Other	28,426,110	28,430,029
	$ 36,981,629	**$ 37,878,803**
Total Except Cities and Towns	**$ 493,293,224**	**$ 513,677,548**
Cities and Towns		
General	$ 45,676,976	$ 47,277,275
Special Improvements	27,654,388	27,879,875
	$ 73,331,364	**$ 75,157,150**
Grand Total All Taxes	**$ 566,624,588**	**$ 588,834,698**

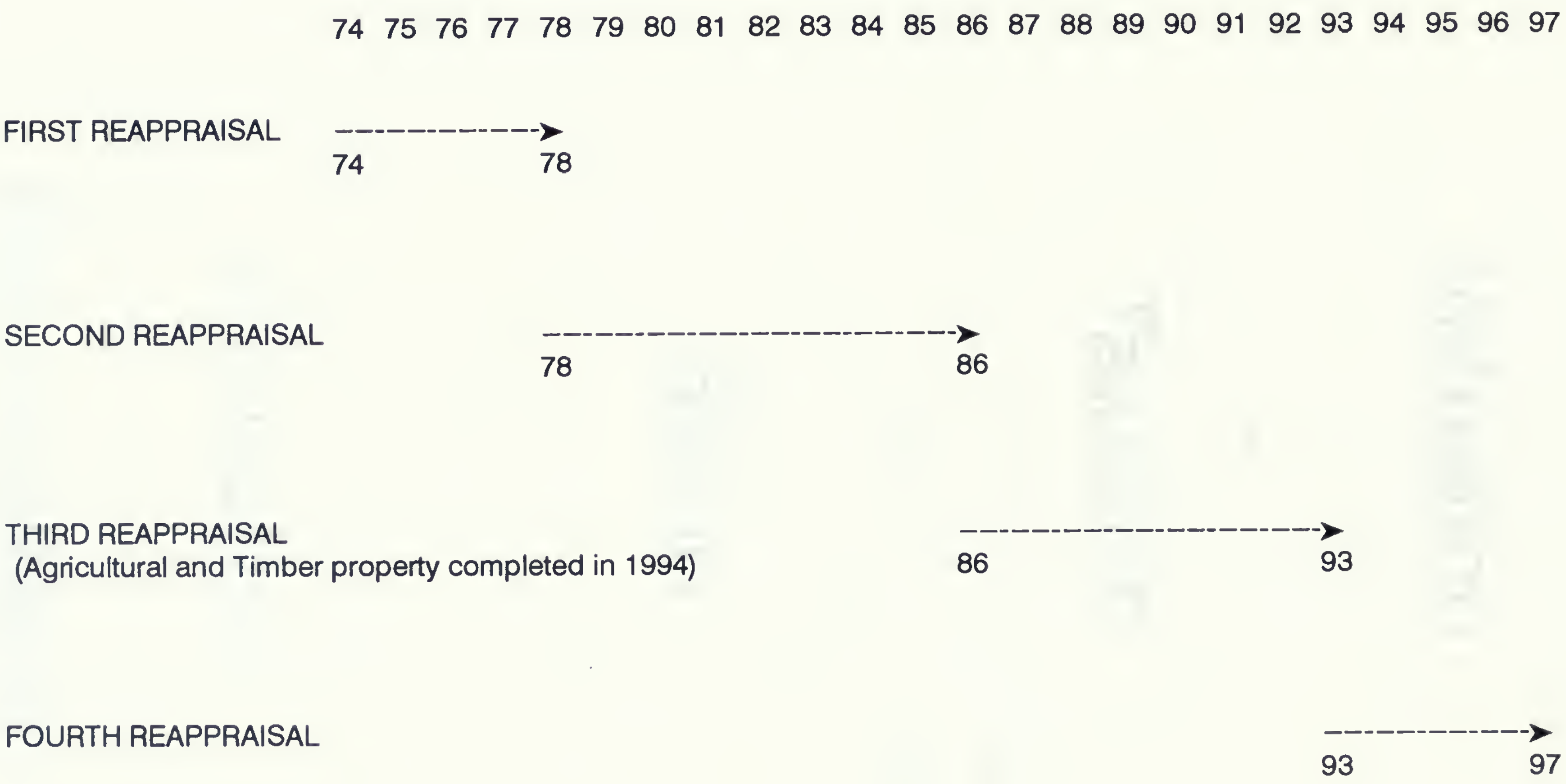
TOTAL TAXES LEVIED - 1992

County	Cities and Towns Amount Levied	Special Improvement Districts Amount Levied	Levied for Cities, Towns and S.I.D's	Grand Total o All Taxes for All Purpose
Beaverhead	$ 337,019	$ 0	$ 337,019	$ 5,738,958
Big Horn	269,636	256,920	526,556	6,181,278
Blaine	307,144	464,783	771,927	4,896,189
Broadwater	124,389	11,038	135,427	3,512,538
Carbon	443,729	111,391	555,120	6,223,454
Carter	36,269	0	36,269	2,170,671
Cascade	5,876,144	3,976,345	9,852,489	45,734,194
Chouteau	249,742	184,266	434,008	8,632,247
Custer	897,377	674,627	1,572,004	7,551,461
Daniels	115,134	28,683	143,817	2,392,498
Dawson	761,514	459,676	1,221,190	7,946,943
Deer Lodge	53,074	426,658	479,732	4,345,249
Fallon	188,578	40,902	229,480	2,554,133
Fergus	716,882	163,007	879,888	8,327,723
Flathead	2,864,264	1,577,603	4,441,867	41,563,639
Gallatin	3,963,706	87,388	4,051,093	30,512,466
Garfield	17,702	147,352	165,054	1,730,170
Glacier	326,347	198,495	524,842	5,466,166
Golden Valley	17,332	0	17,332	1,391,969
Granite	116,774	12,107	128,880	2,112,380
Hill	1,077,418	1,060,077	2,137,495	10,901,467
Jefferson	142,483	0	142,483	6,006,212
Judith Basin	39,466	18,277	57,742	2,656,423
Lake	456,027	142,780	598,807	12,728,248
Lewis And Clark	3,100,432	0	3,100,432	29,401,768
Liberty	52,760	87,307	140,067	2,726,829
Lincoln	392,254	0	392,254	8,791,262
Madison	178,125	129,158	307,283	6,695,053
Mccone	99,989	0	99,989	2,476,976
Meagher	77,949	0	77,949	2,292,176
Mineral	81,613	0	81,613	2,758,326
Missoula	7,874,125	828,614	8,702,739	59,085,272
Musselshell	123,343	163,317	286,661	2,364,200
Park	946,750	91,017	1,037,767	8,836,806
Petroleum	10,112	0	10,112	646,923
Phillips	269,431	416,533	685,964	5,739,966
Pondera	268,724	234,447	503,171	5,160,622
Powder River	61,361	44,977	106,338	2,472,207
Powell	171,523	49,989	221,512	3,840,722
Prairie	58,649	17,751	76,400	1,614,669
Ravalli	597,866	91,689	689,555	11,315,908
Richland	544,637	1,505,848	2,050,485	7,728,681
Roosevelt	312,569	332,791	645,360	6,805,412
Rosebud	217,133	189,723	406,856	27,503,573
Sanders	263,012	1,774	264,786	8,035,773
Sheridan	292,648	54,542	347,190	3,530,656
Silver Bow	13,393	1,082,864	1,096,257	28,771,203
Stillwater	265,660	297,778	563,438	6,193,504
Sweet Grass	150,071	947	151,018	2,685,042
Teton	209,923	153,640	363,563	6,653,550
Toole	367,292	167,270	534,561	5,109,279
Treasure	23,779	0	23,779	1,405,421
Valley	557,705	11,936	569,641	9,131,233
Wheatland	87,847	1,150	88,996	2,269,913
Wibaux	50,436	15,873	66,309	1,143,582
Yellowstone	10,158,016	11,866,567	22,024,584	84,371,513
TOTAL	**$47,277,275**	**$27,879,875**	**$75,157,150**	**$588,834,696**

REAPPRAISAL CYCLES

Property Types	Cycles
Residential Land & Buildings	Current - 7 years Beginning in 1993 - 4 Years Beginning in 1997 - 3 Years
Commercial Land & Buildings	Current - 7 years Beginning in 1993 - 4 Years Beginning in 1997 - 3 Years
Business Equipment & Livestock	Annual
Inter-County Properties	Annual
Forest Lands	Current - 7 years Beginning in 1994 - 3 Years
Agricultural Land	Current - 7 years Beginning in 1994 - 3 Years

REAPPRAISAL CYCLES



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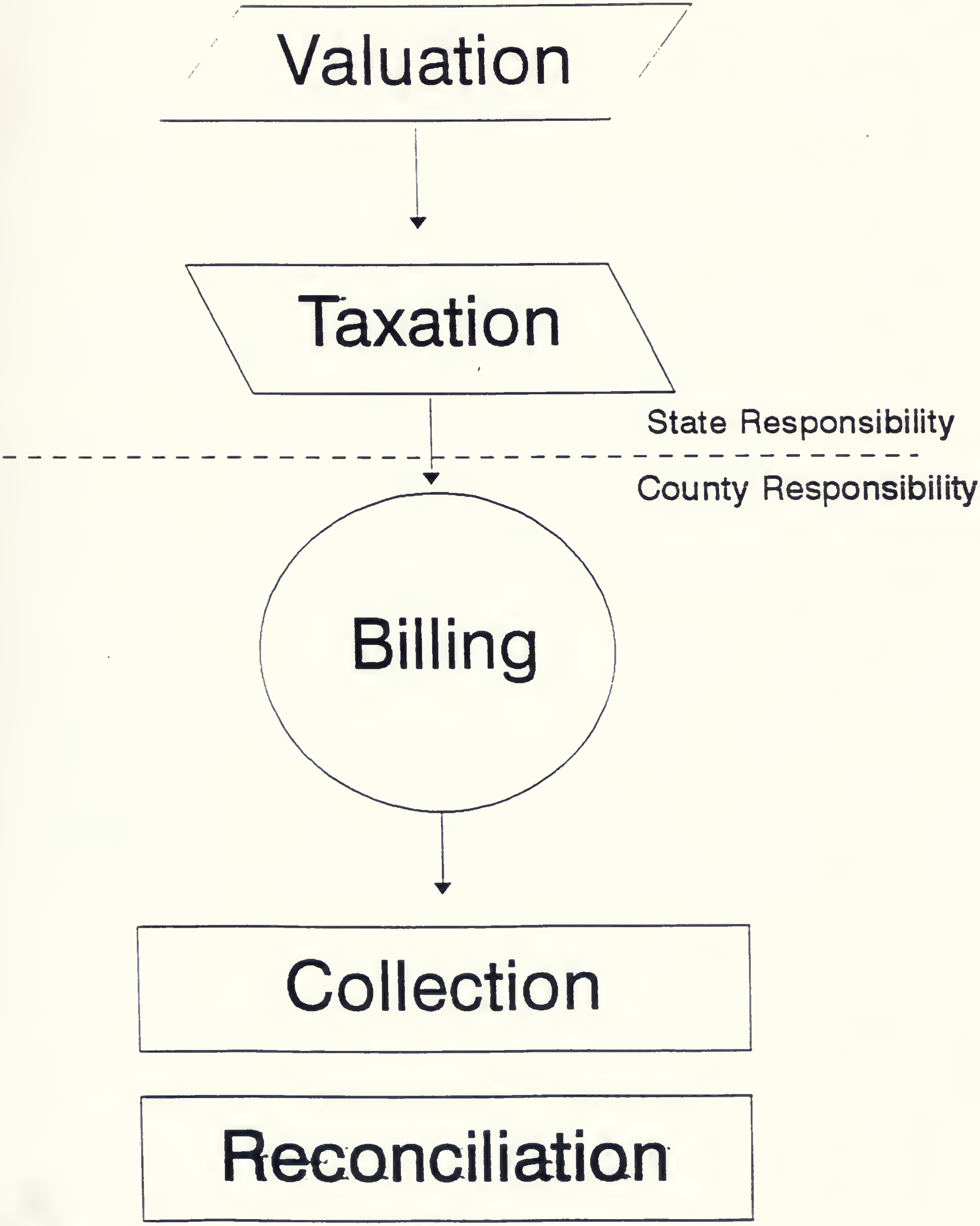


Valuation

Taxation

State Responsibility

County Responsibility

Billing

Collection

Reconciliation

THE RATIONALE FOR PLACING PROPERTY IN TAX CLASSES

Property in Montana was first placed in statutory tax classes in 1919. Seven classes were created by the Legislature. The fiscal impact was a 3 fold increase in assessed value.

Changes in tax classifications were made over the years including rate changes, movement of property between classes, and exemption of property from taxation. However, the most significant changes occurred in 1977 and 1979.

In 1977, the Legislature adopted a market value standard for valuing property and established rates for taxing the property (taxable value rates). This ended the fractional assessment of property in Montana. The 1977 legislation was designed to maintain effective tax rates for various types of property.

To maintain effective tax rates the number of classes were increased from 11 to 18. In addition, 2 more classes were created in 1977 bringing the total to 20.

The Legislature was concerned with the large number of classes. They provided for an interim study of classifications and the reasons for grouping types of property. As a result of the study, legislation was introduced and passed in 1979 grouping like property into the same class and reducing the classes from 20 to 10.

Through the 1980's the number of classes doubled returning to the 1977 grouping level of 20. Also, the property tax on several properties was replaced by fees.

The 1991 Legislature provided tax rate reductions to certain types of personal property. It then reduced the number of tax classes to 12 by combining those tax classes with similar property types and tax rates.

Perhaps the rational for placing property in classed can best be described as well intended, but at times inconsistent. Often the desire to address the concerns of individual property owners or small groups of owners has influenced property classification in Montana.

CLASSES OF PROPERTY AND TAX RATES

The 1991 Legislature passed a bill consolidating the existing 17 property classes into 12. The revised property classification system is as follows (taxable value percentage is in parenthesis):

Class 1	• Net proceeds of all mines and mining claims except coal and metal mines *(100%)*
Class 2	• Gross proceeds of metal mines *(3%)*
Class 3	• Agricultural land *(30% of productive capacity)* Nonproductive patented mining claims *(30% of productive capacity)*
Class 4	• Residential, commercial, and industrial land and improvements *(3.86%)* • Golf courses *(1.93%)* • Idle agricultural and timber processing property *(3.86%)* • Mobile homes *(3.86%)*
Class 5	• Air and water pollution control equipment *(3%)* • Rural electric and telephone cooperatives *(3%)* • Real and personal property of "new industry" *(3%)* • Machinery and equipment used in electrolytic reduction facilities *(3%)* • Real and personal property of research and development firms *(3%)* • Real and personal property used to produce gasohol *(3%)*
Class 6	• Livestock *(4%)* • Rental or lease equipment valued at less than $5,000 *(4%)* • Machinery and equipment used in canola seed oil processing facilities *(4%)*
Class 7	• Qualifying independent telephone cooperatives *(8%)*
Class 8	• Business personal property *(9%)*
Class 9	• Real & personal property of utilities, telecommunication companies and pipelines *(12%)*
Class 10	• Timberland *(4% beginning in tax year 1991)*
Class 11	• Farmsteads *(3.088%)*
Class 12	• Real and personal property of railroads and airlines *(7.53% for tax year 1992)*

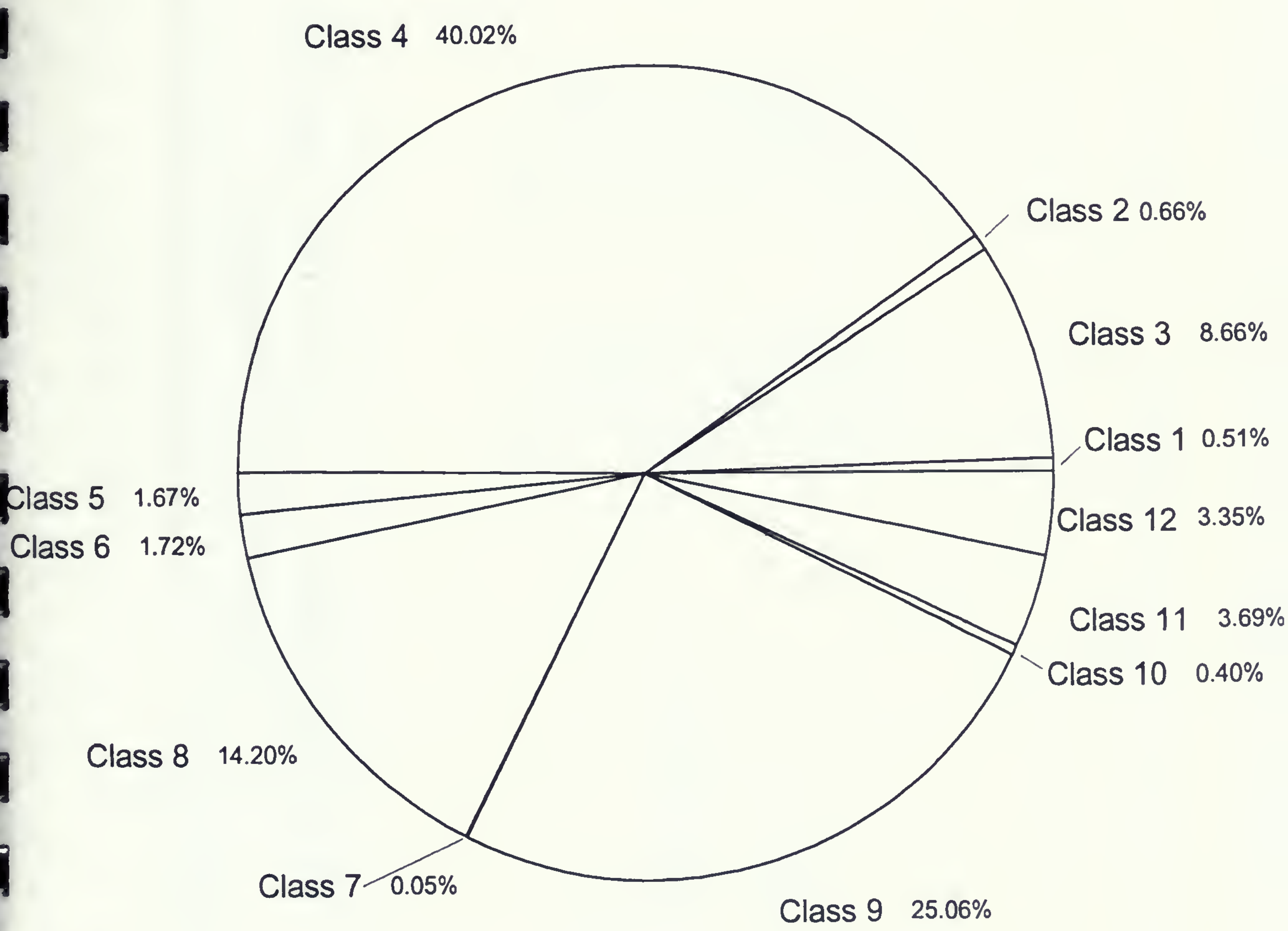
Impact of Property Reclassification

(SB 436, 1991 Legislative Session)

Current Classification			Before Reclassification (Tax Year 1991)		
Class	**Rate**	**Description**	**Class**	**Rate**	**Description**
Class 1	100.000%	Net Proceeds	Class 1	100.000%	Net Proceeds
Class 2	3.000%	Gross Proceeds	Class 2	3.000%	Gross Proceeds
Class 3	30.000%	Ag Land	Class 3	30.000%	Ag Land
Class 4	3.860%	Real Property	Class 4	3.860%	Residential and Commercial Real
			Class 12	3.860%	Mobile Homes
			Class 18	30.000%	Nonproductive Mining Claims *(Appraisal method changes from productivity to market value basis, no revenue impact to property).*
			Class 19	2.000%	Nonproductive Real Less Than 20 ac. *(Assume appraised values will be decreased to reflect conditions which preclude development of the property, no revenue impact).*
			Class 20	3.860%	Out of Production Ag and Timber
Class 5	3.000%	New Industry and Pollution Control	Class 5	3.000%	New Industry and Pollution Control
Class 6	4.000%	Livestock	Class 6	4.000%	Livestock
Class 7	8.000%	Independent Telephone	Class 7	8.000%	Independent Telephone
Class 8	9.000%	Personal Property	Class 8	9.000%	Personal Property
Class 9	12.000%	Utilities	Class 11	12.000%	Utilities
Class 10	3.840%	Timber	Class 13	3.840%	Timber
Class 11	3.088%	Farmsteads	Class 14	3.088%	Farmsteads
Class 12	7.530%	Railroads and Airlines	Class 15	7.530%	Railroads
			Class 17	7.530%	Airlines

Analysis of 1992 Tax Base

Percent of Statewide Taxable Value in Each Class



Taxable Value Comparison
By Property Class – Tax Year 1991 and 1992

Class	Description	1991 Taxable Value	1992 Taxable Value	Dollar Change	Percent Change
1	Net Proceeds	8,318,381	8,401,789	83,408	1.0%
2	Gross Proceeds	12,230,635	11,640,701	(589,934)	–4.8%
3	Agricultural Land	141,558,901	141,398,060	(160,841)	–0.1%
4	Residential and Commercial Real	636,712,333	653,419,621	16,707,288	2.6%
5	Co–ops, Pollution Control, New Industry	27,333,101	27,272,962	(60,139)	–0.2%
6	Livestock	29,705,017	28,148,354	(1,556,663)	–5.2%
7	Independent Telephone	885,909	797,813	(88,096)	–9.9%
8	Busines Equipment	223,882,855	230,961,035	7,078,180	3.2%
9	Utilities	395,328,590	409,123,653	13,795,063	3.5%
10	Timber Land	6,669,376	6,569,447	(99,929)	–1.5%
11	Farmsteads	59,003,031	60,258,864	1,255,833	2.1%
12	Railroads and Airlines	53,593,331	54,630,690	1,037,359	1.9%
	Total	1,595,221,460	1,632,622,989	37,401,529	2.3%

Compiled by the Office of Research and Information, Montana Department of Revenue. 03–Sep–92

STATEWIDE

1992 PROPERTY CLASSES	1991 QUANTITY	1991 ASSESSED	1991 TAXABLE	1992 QUANTITY	1992 ASSESSED	1992 TAXABLE
CLASS 1						
Net Proceeds		8,318,381	8,318,381		8,401,789	8,401,789
CLASS 2						
Gross Proceeds		407,687,857	12,230,635		361,545,209	10,846,321
CLASS 3						
Agricultural Land:						
Tillable Irrigated (30%)	1,504,313	46,432,340	13,931,138	1,482,839	46,229,817	13,870,335
Tillable Non-Irrigated (30%)	12,369,653	279,743,263	83,926,814	12,344,847	279,649,497	83,898,272
Grazing (30%)	35,970,866	123,884,389	38,173,940	35,914,887	127,011,262	38,113,082
Wild Hay (30%)	1,068,569	18,380,305	5,515,003	1,070,431	18,341,382	5,503,331
Eligible Mining Claims (30%)		39,969	12,005		43,401	13,040
Class 3 Subtotal	50,913,401	468,480,266	141,558,901	50,813,005	471,275,359	141,398,060
CLASS 4						
Land and Improvements:						
Residential (3.86%)		11,097,211,105	428,349,943		11,397,770,050	439,943,921
Residential Low Income (0%-3.474%)		226,079,425	5,127,462		234,661,503	5,279,414
Mobile Homes (3.86%)		387,559,421	14,966,010		432,492,255	16,686,674
Mobile Homes Low Income (0%-3.474%)		13,847,703	308,121		15,243,720	339,833
Commercial (3.86%)		4,145,372,207	160,005,634		4,219,653,293	162,866,535
Industrial (3.86%)		686,007,248	26,479,883		693,371,832	26,764,135
New Manufacturing (1.93%-3.474%)		34,468,550	669,411		40,307,433	791,600
Qualified Golf Courses (1.93%)		30,376,681	586,266		30,026,703	579,514
Remodeled Commercial (0.772%-3.86%)		5,702,113	109,788		5,150,790	92,298
Nonproductive Land Under 20 Acres (3.86%)		5,482,951	109,673		1,833,589	70,774
Out of Production Ag/Timber (3.86%)		18,078	140		127,521	4,923
Class 4 Subtotal		16,632,125,482	636,712,333		17,070,638,689	653,419,621
CLASS 5						
Rural Electric and Telephone Co-Op (3%)		347,885,961	10,441,555		362,401,309	10,901,061
Qualified New Industrial (3%)		74,254,233	2,227,626		63,412,706	1,902,381
Pollution Control (3%)		449,936,825	13,466,932		446,293,169	13,322,614
Gasohol Related (3%)		17,392	522		17,309	519
Research and Development (0%-3%)		4,639,550	102,399		3,930,066	91,672
Aluminum Electrolytic Equipment (3%)		36,468,893	1,094,067		35,157,158	1,054,715
Class 5 Subtotal		913,202,854	27,333,101		911,211,717	27,272,962
CLASS 6						
Livestock (4%)		676,073,973	27,296,910		698,273,248	27,929,403
Lease and Rental Equipment (4%)		8,703,349	363,770		5,466,708	218,951
Canola Seed Processing Equipment (4%)		0	0		0	0
Class 6 Subtotal		684,777,322	27,660,680		703,739,956	28,148,354
CLASS 7						
Independent Telephone (8%)		10,470,132	885,909		9,972,685	797,813
CLASS 8						
Machinery (9%)		1,172,211,777	101,652,527		1,218,955,986	105,210,207
Farm Implements (9%)		613,903,892	53,626,074		605,193,680	54,467,547
Buses, Trucks, and Trailers (9%)		160,323,844	14,435,171		163,417,762	14,709,199
Furniture and Fixtures (9%)		353,613,309	31,826,103		382,292,519	34,406,847
Broadcasting Equipment (9%)		24,762,306	2,228,635		26,415,074	2,377,279
Other Business Equipment (9%)		247,524,014	22,158,681		229,909,232	20,584,336
Class 8 Subtotal		2,572,339,142	225,927,191		2,626,184,253	231,755,415
CLASS 9						
Utilities (12%)		3,294,405,152	395,328,590		3,412,067,516	409,123,653
CLASS 10						
Timber Land (4%)	3,551,753	166,734,757	6,669,376	3,561,283	164,235,440	6,569,447
CLASS 11						
One Acre Farmsteads (3.088%)		1,905,148,150	58,830,501		1,945,573,106	60,078,412
One Acre Farmsteads Low Income (0%-2.779%)		8,857,635	172,530		10,937,586	180,452
Class 11 Subtotal		1,914,005,785	59,003,031		1,956,510,692	60,258,864
CLASS 12						
Railroads (7.53%)		647,349,324	48,810,134		658,427,208	49,579,563
Airlines (7.53%)		63,400,860	4,783,197		67,080,080	5,051,127
Class 12 Subtotal		710,750,184	53,593,331		725,507,288	54,630,690
TOTAL		27,783,297,314	1,595,221,460		28,421,290,593	1,632,622,989

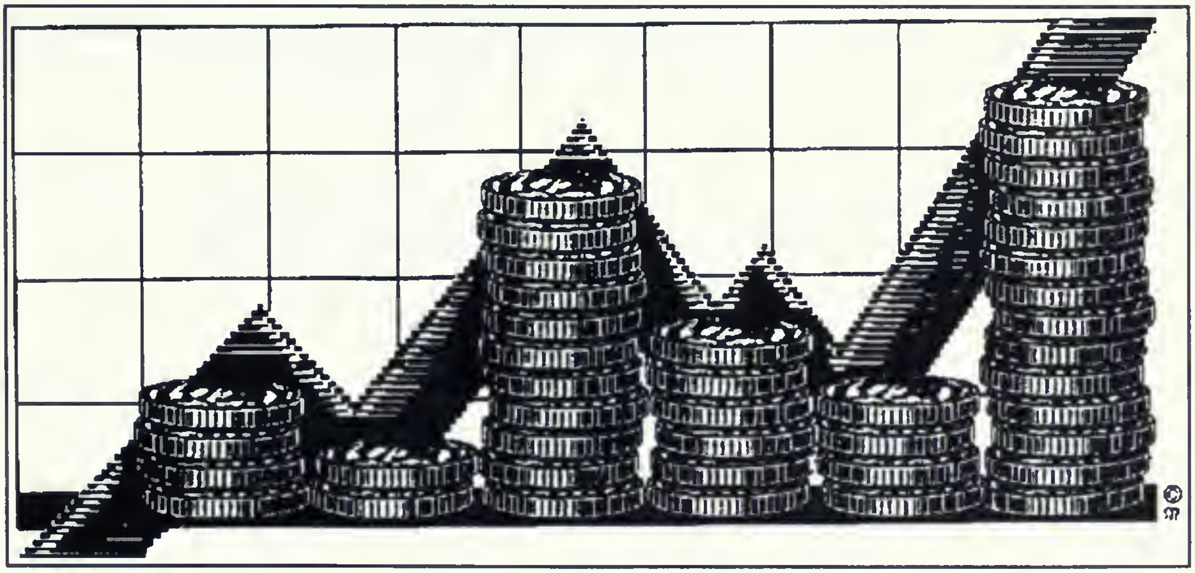
NOTE: Figures shown are as reported to the Department of Revenue by the County Assessor.

CLASS ONE (15-6-131, MCA) 100% of Annual Net Proceeds

- Includes the annual net proceeds of all mines and mining claims except coal and metal mines.
- Class one property is taxed at 100% of its annual net proceeds after deducting the expenses specified and allowed.

CLASS TWO (15-6-132, MCA) 3% of Annual Gross Proceeds

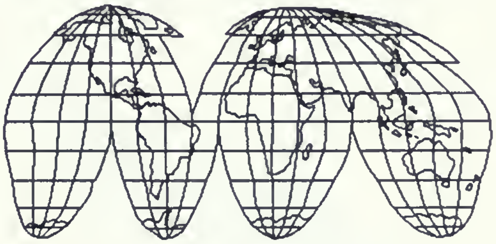
- Includes the annual gross proceeds of metal mines.
- Class two property is taxed at 3% of its annual gross proceeds.



CLASS THREE (15-6-133, MCA) 30% of Productive Capacities

- Agricultural land and Nonproductive patented mining claims

  The property is appraised by the local appraisal office. The productive capacity of the land is based on the ability to produce net farm income.



- There are five classifications of agricultural land:
  1. Continuously cropped tillable / non-irrigated farmland.
  2. Fallow tillable / non-irrigated farmland.
  3. Irrigated tillable farmland.
  4. Continuously cropped hay land (wild hay).
  5. Grazing land.

- Given a 20 acre field, tillable fallow / non-irrigated farmland. Average yield is 25 bushels of wheat per acre.

(20 acres @ $32.22 per acre)
$644 = Market Value

$644 X 30% = $193
Market X Taxable percentage = Taxable Value

$193 X 250 mills = $48.25
Taxable X Mills = Taxes

CLASS FOUR (15-6-134, MCA) 3.86% of Market Value

- All land and improvements (except those specifically included in another class). The property is appraised by the local appraisal office (except large industrial property).

- This includes residential, commercial, and industrial land and improvements (3.86%); Idle agricultural and timber processing property (3.86%); Mobile homes (3.86%); and Golf courses (1.93%).

- Market value of land and improvements is calculated using the cost, income and market approaches by the county appraisal office.

$50,000 = Market Value

$50,000 X 3.86% = $1,930
Market X Taxable percentage = Taxable Value

$1,930 X 250 mills = $482.50
Taxable X Mills = Taxes

- For qualifying low income property owners, an adjustment is made to the taxable value of the property. The adjustment is based on the amount of their annual income.

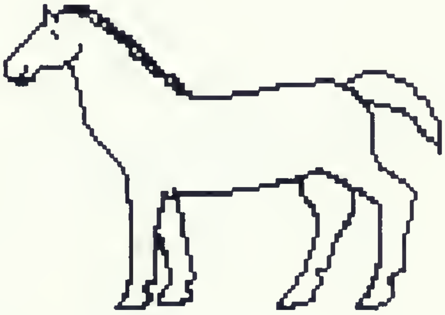
CLASS FIVE (15-6-135, MCA) 3% of Market Value

- Includes:
    1. Approved air and water pollution control equipment,
    2. All property used and owned by rural electric and telephone cooperatives,
    3. Real and personal property of "new industry",
    4. Machinery and equipment used in electrolytic reduction facilities,
    5. All qualifying property owned by a research and development firm,
    6. Any property used primarily in the production of gasohol (first 3 years).

- The market value of personal and real property is determined utilizing the same methods for other similar property, but classified at 3 percent.

CLASS SIX (15-6-136, MCA) 4% of Market Value

- Includes:
    1. Livestock and other species of domestic animals and wildlife raised in domestication,
    2. Rental or lease equipment valued at less than $5,000,
    3. Machinery and equipment used in a canola seed oil processing facilities.



- The market value of livestock is determined by an analysis of average market prices throughout a given area. The livestock also is charged a per head capita tax that is used for funding for the Department of Livestock.

Saddle Horse

$564 = Market Value

$564 X 4% = 23
Market X Taxable percentage = Taxable Value

$23 X 250 mills = $5.75
Taxable X Mills = Taxes

Per head Capita Tax = $1.58

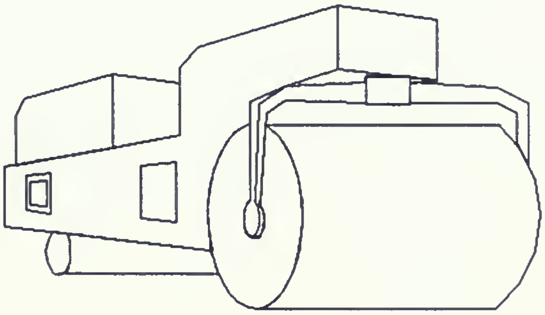
CLASS SEVEN (15-6-137,MCA) 8% of Market Value

- Qualifying independent telephone cooperatives

- The market value of personal and real property is determined utilizing the same methods for other similar property, but classified at 8 percent.

CLASS EIGHT (15-6-138, MCA) 9% of Market Value

- Business personal property.



- The market value for machinery and equipment is usually determined by applying a percent good factor to the acquired cost.

Steamroller acquired in 1984 (36% good)

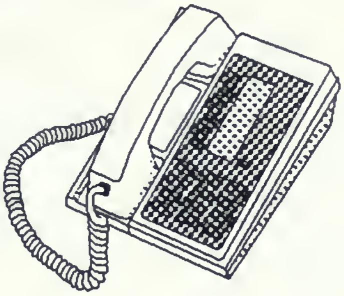
$7,200 = Market Value
(Acquired cost X Percent Good Table)

$7,200 X 9% = $648
Market X Taxable percentage = Taxable Value

$648 X 250 mills = $162
Taxable X Mills = Taxes

CLASS NINE (15-6-141, MCA) 12% of Market Value

- All real and personal property owned and used by centrally assessed companies (Electric, Telephone, and Pipeline).



- Centrally assessed companies are valued by staff appraisers in Helena by a method referred to as the "unit approach to value." The appraiser determines a system value for the company, allocates a portion to the state and then apportions values to the counties where the property is located.

- Three indicators are typically used to determine the system value of the company:

COST

INCOME

MARKET/STOCK AND DEBT

- The indicators are correlated (weighted to arrive at a system value):

SYSTEM VALUE

- The Department determines an allocated value to the state (what portion belongs to Montana):

ALLOCATED MONTANA VALUE

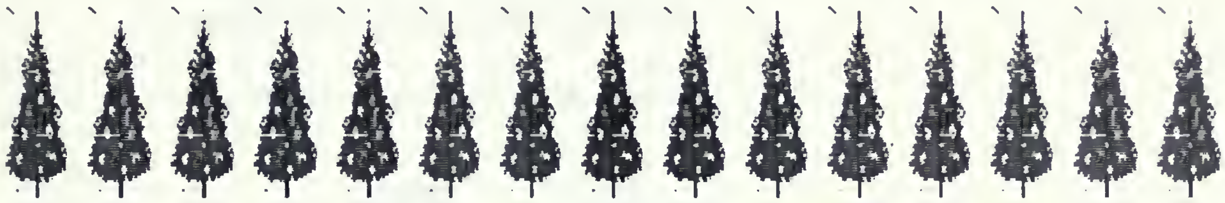
- The Department then apportions the allocated Montana value to the counties where the property is located.

- Centrally Assessed Example:

Given: System Value = $1,000,000
Montana allocation = 25%
Montana Allocated Value = $250,000
Taxable Percentage = 12%
Taxable Value = $30,000
Average Mill = 250
Taxes = $7,500

CLASS TEN (15-6-143, MCA) 4% of Market Value

- Timberland (adjoining land exceeding 15 acres in one ownership that is capable of producing timber in commercial quantities).



- The timber is currently appraised at the present net worth of the standing timber. Tables for the present net worth of the standing timber were developed in the early 1960's and were updated to reflect stumpage values in 1986.

- The bare land under the timber is appraised at its productive value as grazing land (Class Four).

- Given 10 acres of medium-stocked, Douglas fir saw timber

(10 acres @ $150 per acre)
$1,500 = Market Value

$1,500 X 4% = $60
Market X Taxable percentage = Taxable Value

- The market value for the bare land under the timber would be determined using grazing land values:

(10 acres @ $3.72 per acre)
$37 = Market Value

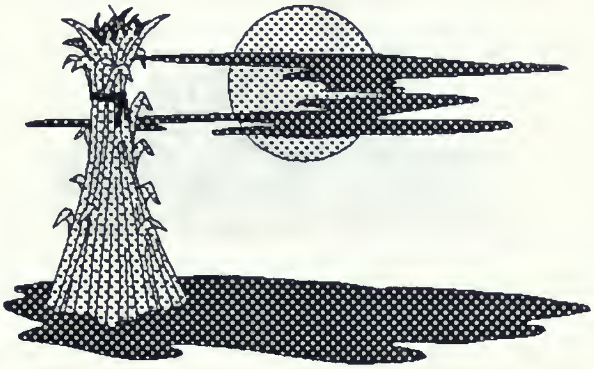
$37 X 30% = $11
Market X Taxable percentage = Taxable

$71 X 250 mills = $17.75
($60 Timber + $11 Bare Land)
Total Taxable X Mills = Taxes

CLASS ELEVEN (15-6-144, MCA) Taxable Percentage 3.088% (80% of the Taxable Percentage Applicable to Class Four)

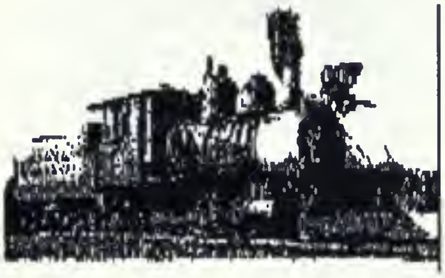
- Farmsteads includes all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land. This includes one acre of real property beneath the agricultural improvements.

- The property is appraised by the local appraisal office.



CLASS TWELVE (15-6-145, MCA) Taxable Percentage "R" Determined Annually

- All railroad transportation property as described in the Railroad Revitalization and Regulatory Reform Act (4R Act).
- All airline transportation property as described in the Tax Equity and Fiscal Responsibility Act (TEFRA).



- This property is valued by Helena staff utilizing the same valuation procedures as used for Class Nine property.
- The taxable percentage is determined by finding the effective taxable percentage for all other commercial property in the state.

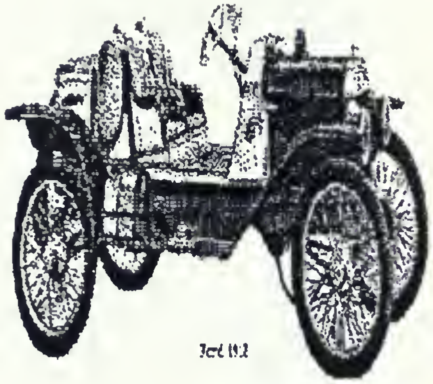
R = A/B where

A = total statewide taxable value of all commercial property, except class 12 property.

B = total statewide market value of all commercial property, except Class 12 property.

- The taxable percentage "R" for 1992 was 7.53%.

OTHER TYPES OF PROPERTY



- Automobiles and trucks having a capacity of 1 ton or less are not classified in the property classes. They are valued under 61-3-503. The market value is usually determined by using the average trade in value as found in the NADA guides.

- The taxes are calculated by multiplying the market value times 2 percent. The county may also levy an additional .5 percent local option vehicle tax.

$9,600 = Market Value
NADA average trade in

$9,600 X 2% = $192
Market X percent = Tax

The following types of property are subject to a fee in lieu of property tax:

Campers
Motor homes
Boats
Airplanes (not in Class Nine)
Off road vehicles
Travel trailers

County Taxable Value by Property Class Tax Year 1992

County	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7
Beaverhead	363,421	91	2,391,015	4,806,046	258,017	1,615,499	171,326
Big Horn	0	0	3,536,581	5,286,092	324,389	1,093,250	602
Blaine	0	0	3,852,501	1,894,482	265,840	782,280	0
Broadwater	3,069,054	0	1,018,596	2,135,031	95,680	306,361	0
Carbon	74,860	0	2,218,956	7,018,660	121,572	579,764	103,930
Carter	2,542,810	0	1,721,215	260,662	82,749	677,365	0
Cascade	0	0	4,840,744	62,424,728	160,769	770,703	0
Chouteau	0	0	12,759,169	2,262,912	216,507	540,486	0
Custer	0	0	2,134,172	6,012,816	110,522	689,529	0
Daniels	0	0	2,361,082	991,824	116,326	170,914	0
Dawson	0	0	3,057,298	5,579,666	262,579	445,530	0
Deer Lodge	0	0	267,368	5,613,018	4,866	69,373	15,755
Fallon	0	0	1,287,339	1,517,529	93,885	460,352	0
Fergus	0	604,506	6,158,460	5,702,490	279,987	1,249,256	0
Flathead	0	0	1,512,925	70,344,825	1,965,981	291,766	0
Gallatin	266,480	0	2,921,762	52,612,823	225,136	715,401	0
Garfield	0	0	2,797,272	305,795	93,960	711,803	0
Glacier	0	0	3,151,194	4,446,007	610,377	257,064	10,856
Golden Valley	0	0	1,115,212	296,422	35,786	293,448	0
Granite	0	36	534,649	1,742,533	14,686	349,161	0
Hill	0	0	6,733,391	10,415,910	407,814	321,231	0
Jefferson	46,347	2,142,774	551,799	6,216,110	601,864	295,515	0
Judith Basin	0	0	3,145,215	848,832	70,349	650,246	0
Lake	0	0	1,237,910	20,028,195	140,714	563,762	386
Lewis And Clar	0	93,915	1,531,430	43,674,808	594,003	501,521	44,823
Liberty	54,014	0	3,679,839	955,710	107,765	178,630	0
Lincoln	0	1,219,995	114,490	13,098,861	555,536	93,623	0
Madison	1,983,805	0	2,089,549	7,004,076	140,844	1,040,200	0
Mccone	0	0	3,442,574	800,667	231,954	412,594	0
Meagher	0	3,340	1,386,514	973,503	10,297	573,232	0
Mineral	0	0	55,939	1,917,831	24,997	21,709	0
Missoula	998	0	471,235	81,653,932	926,378	242,241	0
Musselshell	0	0	1,522,801	2,000,062	112,316	386,470	0
Park	0	418,743	1,534,359	11,547,127	245,520	557,543	0
Petroleum	0	0	840,527	119,394	75,324	351,060	0
Phillips	0	1,513,976	3,655,125	2,352,857	228,367	921,546	0
Pondera	0	0	4,940,702	3,070,005	214,704	317,350	0
Powder River	0	0	1,798,421	644,103	217,193	840,276	0
Powell	0	0	774,947	3,012,554	132,330	529,111	0
Prairie	0	0	1,119,323	429,763	78,492	411,367	0
Ravalli	0	0	1,087,772	19,141,968	402,233	560,558	0
Richland	0	0	3,471,285	6,048,874	619,763	420,320	0
Roosevelt	0	0	3,706,762	2,973,143	189,324	233,113	0
Rosebud	0	0	2,862,866	4,879,959	13,082,316	794,794	0
Sanders	0	0	492,387	4,437,677	127,469	268,143	23,620
Sheridan	0	0	3,535,019	2,165,215	184,352	246,699	0
Silver Bow	0	3,641,464	201,260	26,052,362	79,263	77,265	16,575
Stillwater	0	1,207,481	2,424,308	4,383,116	214,216	557,053	224,915
Sweet Grass	0	0	1,362,816	2,039,133	174,986	553,369	0
Teton	0	0	5,177,081	2,958,113	339,286	607,379	0
Toole	0	0	5,114,300	2,689,031	260,036	211,553	0
Treasure	0	0	754,674	228,181	75,893	281,893	0
Valley	0	0	4,758,237	4,282,405	286,464	662,171	0
Wheatland	0	0	1,335,920	761,943	24,980	425,602	0
Wibaux	0	0	1,144,025	347,287	42,560	210,122	0
Yellowstone	0	0	3,705,748	118,012,553	713,446	759,788	185,025
Total	8,401,789	11,640,701	141,398,060	653,419,621	27,272,962	28,148,354	797,813

18-Nov-92 Prepared by the Office of Research and Information, Montana Department of Revenue

County Taxable Value by Property Class Tax Year 1992

County	Class 8	Class 9	Class 10	Class 11	Class 12	Total
Beaverhead	2,958,558	1,729,406	18,584	1,063,856	546,363	15,922,182
Big Horn	10,379,678	3,996,921	17,381	921,534	1,124,926	26,681,354
Blaine	2,214,246	2,792,396	0	978,127	1,113,068	13,892,940
Broadwater	1,961,020	4,283,634	11,790	600,609	744,366	14,226,141
Carbon	1,980,563	3,851,795	659	1,416,954	535,582	17,903,295
Carter	886,373	721,947	463	463,885	0	7,357,469
Cascade	8,029,039	14,676,889	13,394	2,359,193	2,571,476	95,846,935
Chouteau	4,580,497	2,332,200	1,239	2,215,868	449,619	25,358,497
Custer	1,635,789	2,574,096	0	593,286	833,901	14,584,111
Daniels	1,251,880	216,938	0	647,984	537,855	6,294,803
Dawson	2,361,613	4,055,381	0	786,693	1,708,905	18,257,665
Deer Lodge	572,157	2,037,588	16,868	121,921	50,985	8,769,899
Fallon	3,096,673	3,073,589	0	397,579	351,532	10,278,478
Fergus	4,232,672	1,919,225	45,155	1,416,062	336,154	21,943,967
Flathead	11,012,959	9,356,597	1,770,828	4,188,658	2,615,365	103,059,904
Gallatin	9,553,888	9,919,766	133,428	2,575,349	2,071,336	80,995,369
Garfield	916,870	110,834	0	456,935	0	5,393,469
Glacier	2,702,527	6,346,558	0	727,543	1,378,134	19,630,260
Golden Valley	410,077	2,163,514	5,047	354,612	479,751	5,153,869
Granite	988,806	3,113,145	117,590	274,878	520,383	7,655,867
Hill	4,403,144	3,077,922	0	1,720,628	2,861,371	29,941,411
Jefferson	7,122,671	5,423,531	25,732	441,700	474,706	23,342,749
Judith Basin	1,116,194	1,277,887	1,816	795,923	1,046,190	8,952,652
Lake	2,735,269	3,655,541	254,920	2,434,301	386,676	31,437,674
Lewis And Clar	6,079,749	13,415,999	79,614	1,181,003	1,819,517	69,016,382
Liberty	1,891,116	1,106,561	0	1,069,045	525,674	9,568,354
Lincoln	6,101,546	1,923,592	1,167,464	836,658	2,452,402	27,564,167
Madison	3,479,834	3,252,572	30,413	1,549,197	221,138	20,791,628
Mccone	1,717,856	214,359	0	866,336	115,386	7,801,726
Meagher	687,564	4,010,563	59,110	450,663	0	8,154,786
Mineral	1,091,592	3,662,208	166,796	239,777	899,451	8,080,300
Missoula	22,444,983	15,285,313	1,173,030	1,732,538	2,372,643	126,303,291
Musselshell	1,057,899	1,149,367	65,507	584,204	0	6,878,626
Park	2,771,770	4,956,664	95,651	1,504,838	684,654	24,316,869
Petroleum	349,764	28,233	0	140,484	0	1,904,786
Phillips	4,646,451	5,125,245	0	801,062	1,050,698	20,295,327
Pondera	2,848,569	1,712,230	0	1,354,558	529,919	14,988,037
Powder River	1,834,202	444,103	3,629	586,233	0	6,368,160
Powell	1,541,733	4,608,435	344,108	655,352	859,711	12,458,281
Prairie	759,041	436,548	0	325,808	797,800	4,358,142
Ravalli	2,906,471	3,427,404	262,130	4,066,249	188,927	32,043,712
Richland	6,552,761	3,133,664	0	1,098,897	400,194	21,745,758
Roosevelt	3,166,542	11,427,703	0	1,001,248	2,103,359	24,801,194
Rosebud	8,444,699	150,900,839	10,374	617,575	1,261,271	182,854,693
Sanders	1,223,982	14,170,136	644,526	1,117,703	2,376,520	24,882,163
Sheridan	3,681,577	593,186	0	1,018,177	593,829	12,018,054
Silver Bow	8,811,223	10,429,538	17,011	280,258	727,354	50,333,573
Stillwater	3,671,689	5,259,028	452	1,144,498	666,913	19,753,669
Sweet Grass	835,925	1,693,167	6,634	961,806	660,216	8,288,052
Teton	2,764,598	1,173,686	0	1,667,284	739,932	15,427,359
Toole	3,706,632	3,014,291	0	1,264,002	1,423,871	17,683,716
Treasure	519,111	1,996,398	290	212,519	914,931	4,983,890
Valley	2,726,635	10,167,611	0	1,165,985	1,687,676	25,737,184
Wheatland	695,555	3,767,980	1,249	417,994	349,635	7,780,858
Wibaux	1,085,723	688,281	0	266,415	288,853	4,073,266
Yellowstone	34,555,460	33,241,449	6,565	2,126,420	5,179,572	198,486,026
Total	230,961,035	409,123,653	6,569,447	60,258,864	54,630,690	1,632,622,989

PROPERTY TAX EXEMPTIONS

Type of Exemption	Test to Qualify
Government (Federal, State, County, City, School District, Etc.)	Ownership
Religious	Ownership & Use
Agricultural & Horticultural	Exclusive Use
Educational	Exclusive Use
Nonprofit Health Care Facilities	Exclusive Use
Cemeteries	Ownership, Use, & Nonprofit
Institutions of Purely Public Charity	Ownership & Use
Public Museums	Nonprofit & Use
Art Galleries	Nonprofit & Use
Zoos	Nonprofit & Use
Observatories	Nonprofit & Use
Household Goods & Furniture	Ownership & Use

Truck Canopy Cover or Topper	Less Than 300 Lbs
Bicycle	Use & Ownership
Corporation Organized to Furnish Potable Water to Its Members for Uses Other Than the Irrigation of Agricultural Land	Nonprofit & Ownership
Right of Entry	None
Corporations Providing Care for the Developmentally Disabled, Mentally Ill, or Vocationally Handicapped	Ownership, Use, & Nonprofi
Corporations Operating Facilities for the Care of the Retired, Aged, or Chronically Ill	Ownership, Use, & Nonprofi
Farm Buildings	Value Less Than $500
Agricultural Implements	Value Less Than $100
Facilities Used for Training & Practice for/or Competition in International Sports & Athletic Events	Nonprofit, Use, & Ownership

Hand Held Tools	Use & Exempt First $15,000 Market Value
Harness, Saddlery, & Tack	None
A Title Plant	Ownership
Nonfossil Energy Generation or Low Emission Wood or Biomass Combustion Devices	Recog. Form, Exempt for 10 Years Following Installation, $20,000 Exempt for Single Fam. Resid., $100,000 Exempt for Multifam. Resid.
Veteran's Clubhouses	Nonprofit, Use, & Ownership
Freeport Merchandise & Business Inventories	Use
State Water Conservation Projects	Ownership & Use
Irrigation & Drainage Facilities	Use
Unprocessed Agricultural Products	Ownership & Use
Beet Implements	Use
Community Services Buildings	Nonprofit, Use, Ownership, & Land Cannot Exceed 1 Ac.

Disabled or Deceased Veteran's Residences	Ownership, Use, & Income Limits
Down-hole Equipment in Oil & Gas Wells	None
Motion Picture & Television Commercial Property	Use & Can't be in State for more than 180 Days

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FOREST TAXATION IN MONTANA

SUMMARY

- Timberland owners pay an annual property tax on the value of their standing timber and on the agricultural value of their land. As the timber matures, the assessed value increases.
- Montana is the only state in the Northwest that currently taxes standing timber.
- The criteria for classifying property as timberland are:
    1. At least 15 acres of contiguous timberland.
    2. The land is capable of producing timber that can be harvested in commercial quantity.
- Approximately 3.55 million privately owned acres are appraised as commercial timberland in Montana.
- The taxable value of timber and timberlands is 4.00 percent of assessed value. The rate for agricultural land is 30 percent.
- In 1992, the tax on timber and timberlands was approximately $2 million.
- The department lacked the resources to keep the valuation of standing timber current. The department depended on the owners to provide updated information on their harvests, stocking levels, tree sizes, etc.
- The 1991 Legislature enacted law taxing timberlands of at least 5 acres on their productive capacity. This is the same method used to value agricultural lands.
- A tax based on productivity is an effective and uniform method of valuing timberlands and is easily administered.
- The department is working with the University of Montana, School of Forestry on the development of timber productivity maps and valuation schedules.
- The new timber productivity system and values will be implemented for the 1994 tax year.

AGRICULTURAL LAND TAXATION IN MONTANA

SUMMARY

* Approximately 51½ million privately owned acres are classified as agricultural land in Montana.

* In 1992, the tax on agricultural land was over $ 40.5 million.

* Agricultural land taxation consists of 2 parts:

1. Classification -
   The determination of production or yield for each acre of taxable agricultural land.
2. Valuation -
   The determination of agricultural land valuation schedules. The application of those valuation schedules to each acre of taxable agricultural land.

* The criteria for classifying property as agricultural are:

1. Parcels of land 20 acres or more under one ownership are taxed as agricultural land.
2. Parcels of land less than 20 acres under one ownership are taxed as agricultural land if they produce $1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal vegetable matter for food or fiber.
3. Land is not valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

* The formula for valuation of agricultural land is: $V = I / R$

V is the value of each type of agricultural land,
I is the net income of each type of agricultural land,
R is the capitalization rate. That rate converts the net income estimate into an estimate of productive value.

* Issues of Concern:

1. Proposed agricultural land valuation schedules
   Options - Make no changes to current law
   - Freeze existing schedules
   - Adopt new valuation schedules
     (i) Water Costs

AGRICULTURAL CLASSIFICATION OF LAND

Grazing Land:

Those lands, either native range or domestic range, which are used to support agricultural livestock. Grazing land is graded on the basis of the soils capacity to produce palatable forage for livestock without causing injurious effect to the vegetative cover of the land. Carrying capacity is measured in Animal Unit Months per acre (AUM/AC) or acres per Animal Unit Month (AC/AUM).

Grazing land which is irrigated will be classified as irrigated land.

Dryland alfalfa which is not hayed a majority of the time is classified as grazing.

Lands which are hayed occasionally or in years with above average precipitation are classified as grazing land.

Tillable Irrigated Land:

All hayland and cropland that is irrigated a majority of the time (2 out of 3 years, 3 out of 5 years, etc.). All agricultural land, including grazing land, in a specified irrigation district where the land is designated as irrigable, with shares of water appurtenant to such land, shall be classified as irrigated, regardless of whether the water is actually applied or not applied to the land.

Land that has water for irrigation most years shall be classified as irrigated if the water is used. Those lands with water available most years but the water is not used, will be classified according to current use.

Land that is irrigated only during high water may be classified according to use, but it should carry a higher grade to reflect the occasional extra water and increased production.

Irrigated alfalfa which is hayed a majority of the time is classified as irrigated.

Irrigated schedules are based on tons of alfalfa per acre. Alfalfa is the predominant crop grown on irrigated fields. Adjustments can be made for other cash crops using a conversion guide.

There are three rotations, each indicative of the cash value achieved from the production of generally-accepted irrigated crops grown in a particular area. As shown below, these rotations are generally differentiated by the variety of crops which can be grown in a particular area (i.e., the options a grower has in rotating various crops on his/her irrigated cropland acreage). The number of frost-free days may influence the extent of options available. However, available cropping options are not limited

exclusively by frost-free days.

Minimum Rotation: 90 or less frost-free days. Production from this land would be limited to alfalfa hay and small grains. Growers would not have the option to profitably produce any other crops over a sustained period of years.

Medium Rotation: 91 to 110 frost-free days. Lands are placed in this rotation when the grower has the option of producing a greater variety of crops than listed in the minimum rotation. Growers should be able to produce alfalfa hay, alfalfa seed, small grains, edible beans, sunflowers, safflowers, and potatoes.

Maximum Rotation: 110 or more frost-free days. These lands are capable of producing any crop which can typically be grown in Montana. Examples are all crops grown in minimum and medium rotations and, also, corn for silage, corn for grain, and sugar beets.

Climatological data should be utilized to assist appraisers in placing irrigated land into the proper rotation.

Continuously cropped Non-Irrigated Hayland:

Lands on which the native vegetation, non-irrigated alfalfa or other domestic varieties are cut for hay yearly or a majority of the time over a period of years.

Hayland which is irrigated only occasionally or intermittently is classified as continuously cropped non-irrigated hayland. It should carry a higher grade to reflect the occasional irrigation.

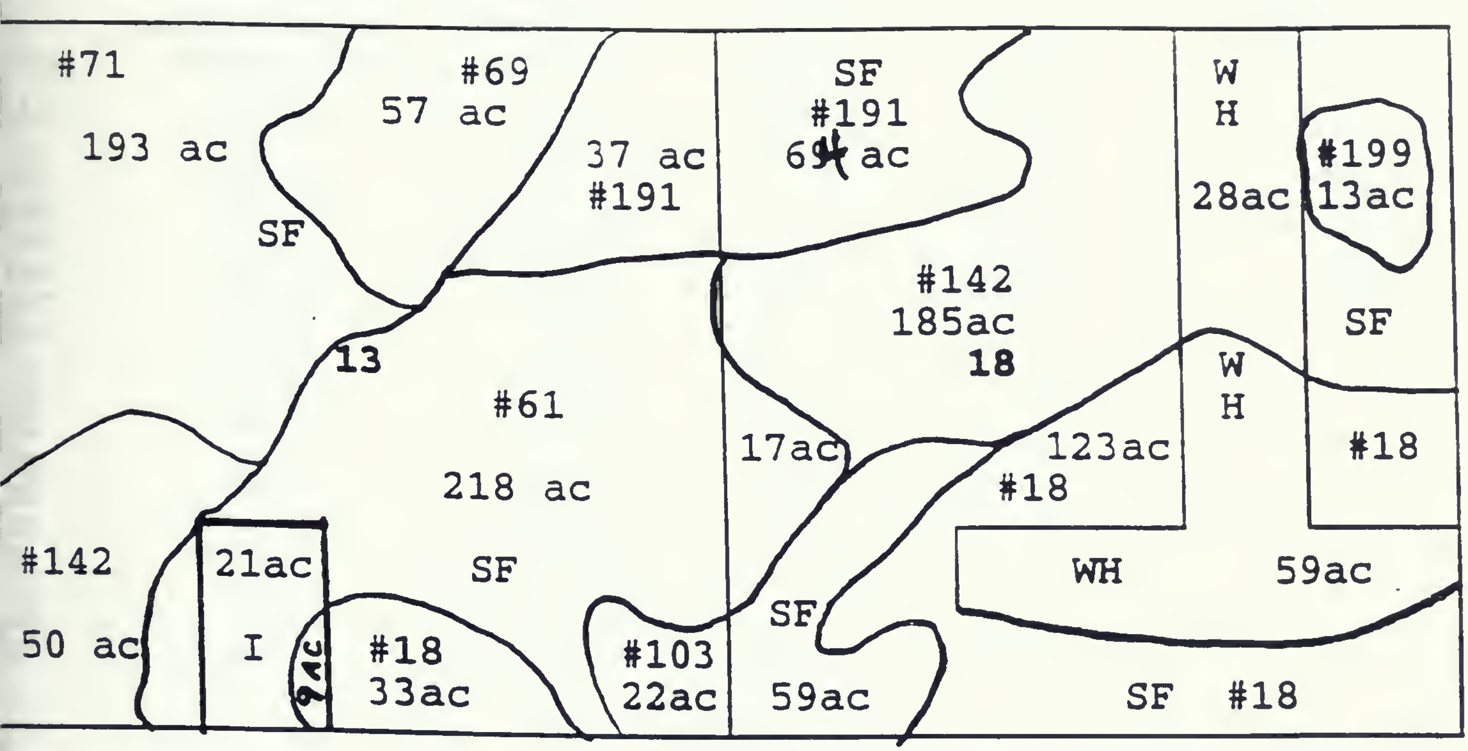
Non-Irrigated Farmland: Summer Fallow and Continuously Cropped

Typical dryland farming found in the majority of Montana. Strip farming or block farming are the most common form of non-irrigated farmland.

Summer fallow: Typically, crops are produced every other year or every third year and the land is left idle in the off years.

Continuously cropped lands are found primarily in Northwestern Montana. Normally, crops are grown 3 out of 4 years and it must be an accepted practice for the area.

Grading is based on bushels of wheat per acre. Conversions are made for barley production.



Section 13 640 acres **Section 18 548 acres**

Symbol	Classification	Yield	Acres	Current Assessed Value Per Acre
F1A8	Summerfallow	40+ bu.	57	$81.08
F1A7	Summerfallow	38-39 bu.	193	74.51
F1A1	Summerfallow	26-27 bu.	235	37.31
F1A	Summerfallow	24-25 bu.	338	32.22
F3A	Summerfallow	14-15 bu.	235	12.31
F4B	Summerfallow	8-9 bu.	13	4.81
WH5	Dryland Hay	1-1.4 T.	28	19.38
WH6	Dryland Hay	.5 -.9 T.	59	10.05
I4	Irrigated	2.5-2.9 T.	21	21.65
I5	Irrigated	2.0-2.4 T.	9	15.81
	Total Acres		1188	

CLASSES, GRADES, AND VALUES FOR MONTANA AGRICULTURAL LANDS AS APPROVED BY THE STATE DEPARTMENT OF REVENUE

NON-IRRIGATED FARM LAND (F)

Grade	Bu. Wheat Per Acre On Summer Fallow	Assessed Value Per Acre
1A8	40 & over	81.08
1A7	38 - 39	74.51
1A6	36 - 37	67.94
1A5	34 - 35	61.37
1A4	32 - 33	54.80
1A3	30 - 31	48.60
1A2	28 - 29	42.79
1A1	26 - 27	37.31
1A	24 - 25	32.22
1B	22 - 23	27.50
2A	20 - 21	23.15
2B	18 - 19	19.17
2C	16 - 17	15.56
3A	14 - 15	12.31
3B	12 - 13	9.44
4A	10 - 11	6.94
4B	8 - 9	4.81
5	Under 8	3.06

CONTINUOUSLY CROPPED HAY LAND (WH)

Grade	Tons of Hay Per Acre	Assessed Value Per Acre
1	3.0 & over	67.60
2	2.5 - 2.9	53.03
3	2.0 - 2.4	41.38
4	1.5 - 1.9	29.43
5	1.0 - 1.4	19.38
6	.5 - .9	10.05
7	Less than .5	5.54

GRAZING LAND (G)

Grade	Acres Per 1000# Steer 10 Mos.	Assessed Value Per Acre
1A2	Under 3	71.69
1A1	3 - 5	44.18
1A+	5.1 - 5.9	31.27
1A	6 - 10	20.51
1B	11 - 18	10.53
2A	19 - 21	7.17
2B	22 - 27	5.42
3	28 - 37	3.72
4	38 - 55	2.52
5	56 - 99	1.47
6	100 or over	.82

NON-IRRIGATED CONTINUOUSLY CROPPED FARM LAND (CC)

Grade	Bu. of Wheat Per Acre Each Year	Assessed Value Per Acre
1A4	44 & over	125.71
1A3	42 - 43	116.94
1A2	40 - 41	108.17
1A1	38 - 39	99.40
1A	36 - 37	90.63
1	34 - 35	81.86
2	32 - 33	73.09
3	30 - 31	64.81
4	28 - 29	57.05
5	26 - 27	49.75
6	24 - 25	42.96
7	22 - 23	36.67
8	20 - 21	30.87
9	18 - 19	25.56
10	16 - 17	20.75
11	14 - 15	16.41
12	12 - 13	12.59
13	10 - 11	9.25
14	Less than 10	6.41

Form AB-16
(Rev. 1/1986)

TILLABLE IRRIGATED LANDS (I)

CLASS 1 (Maximum Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 2.49	$2.50 3.49	$3.50 4.49	$4.50 5.49	$5.50 6.49	$6.50 7.49	$7.50 & Over
1A	4.5+	110.40	103.74	97.07	90.40	83.74	77.07	70.40	63.74
1B	4.0-4.4	94.70	88.98	83.26	77.55	71.83	66.11	60.39	54.68
2	3.5-3.9	78.70	73.96	69.20	64.45	59.70	54.94	50.19	45.44
3	3.0-3.4	63.70	59.85	56.00	52.16	48.31	44.47	40.62	36.78
4	2.5-2.9	48.53	45.60	42.67	39.74	36.81	33.88	30.95	28.02
5	2.0-2.4	31.92	30.00	28.07	26.14	24.21	22.29	20.36	18.43
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

CLASS 2 (Medium Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 2.49	$2.50 3.49	$3.50 4.49	$4.50 5.49	$5.50 6.49	$6.50 7.49	$7.50 & Over
1A	4.5+	97.26	90.60	83.93	77.27	70.60	63.94	57.27	50.60
1B	4.0-4.4	81.72	76.12	70.52	64.92	59.32	53.72	48.12	42.52
2	3.5-3.9	67.27	62.66	58.05	53.44	48.83	44.22	39.61	35.00
3	3.0-3.4	53.90	50.21	46.51	42.82	39.12	35.43	31.73	28.04
4	2.5-2.9	41.60	38.76	35.90	33.05	30.20	27.35	24.49	21.65
5	2.0-2.4	30.39	28.31	26.22	24.14	22.06	19.98	17.89	15.81
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

CLASS 3 (Minimum Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 2.49	$2.50 3.49	$3.50 4.49	$4.50 5.49	$5.50 6.49	$6.50 7.49	$7.50 & Over
1A	4.5+	86.26	79.60	72.93	66.27	59.60	52.94	46.27	39.60
1B	4.0-4.4	73.84	68.14	62.43	56.72	51.02	45.31	39.60	33.90
2	3.5-3.9	62.01	57.22	52.43	47.64	42.84	38.05	33.26	28.47
3	3.0-3.4	50.79	46.86	42.94	39.02	35.09	31.16	27.24	23.32
4	2.5-2.9	40.15	37.05	33.95	30.85	27.74	24.64	21.54	18.43
5	2.0-2.4	30.11	27.78	25.46	23.13	20.80	18.48	16.15	13.82
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

State Publishing Co Helena Mont

HISTORY

As of July 1, 1973, the Department of Revenue was delegated the responsibility for classifying all agriculture lands. Previously, that was the duty of the county commissioners under Chapter 191, Laws of 1957. As with the previous law, the values determined by the Department were to be based on the productive capacity of the land, i.e., the ability of the land to produce income from a cash crop (wheat, hay, forage for grazing, etc.).

The current ag land valuation schedules were developed in the early 1960's. The values are based on a capitalization of net operating income (gross income less operating expenses). The current figures came from the USDA Reporting Service, the Montana Department of Agriculture Statistics, the ASCS, SCS, BIA, BLM and other government agencies.

The Department updated and revised the agricultural land valuation schedules for the reappraisal cycle which concluded on December 31, 1985. Again, the primary source of the data was the various government agencies. A concerted effort was made to include individual operators and ag related associations to help refine the figures.

After developing the new valuation schedules, public comment was solicited through the administrative rules process. The new schedules would have increased the valuation of some types of agricultural land. Agriculturalists expressed their lack of support for the new valuation schedules. As a result, former Governor Ted Schwinden suspended the rules hearing process. He directed the Department to assemble an advisory committee to review the data and procedures and make changes if necessary.

The committee had difficulty arriving at a consensus on the agricultural land valuation schedules. The 1985 Legislature froze the agricultural land valuation schedules that were in effect, specified the approach for developing future ag land valuation schedules and required the formation of an agricultural advisory committee.

In September, 1990 the Department of Revenue Agricultural Advisory Committee was appointed. During the past 27 months, the committee has reviewed, evaluated and recommended changes to the taxation of agricultural land. It has presented its recommendations at public meetings held throughout the state. Their recommendations are included for your review.

VALUATION OF AGRICULTURAL LAND

Statutory formula for determining productive capacity value:

V = Value of the Land

I = Income Produced by the Land

R = The Rate Used to Capitalize the Income Produced by the Land

The formulas reads: $V = \frac{I}{R}$

Example of Calculation:

Income Per Acre = $50

Capitalization Rate = 6.4%

Value = $781.25 Per Acre

V = $50 ÷ 6.4% = $781.25/Acre

As the Capitalization Rate is decreased, the Value increases.

AGRICULTURAL LAND VALUATION
Revenue Oversight Committee Meeting
September 25, 1992

The Department of Revenue's Agricultural Advisory Committee has held meetings throughout the state. The meetings were conducted to explain the Committee's report on agricultural land valuation and to accept information and input from taxpayers and agricultural groups. After reviewing the comments from taxpayers and all of the agricultural associations and groups, the Committee adopted a final report and formally presented it to the Department. The final alterations to the report include a yield conversion for irrigated grazing land and a valuation phase-in to acknowledge the significant valuation changes that will occur with certain types of agricultural land. In the report, the committee encourages further study of water costs. The committee believes that, to the best of its ability, it has addressed the issue of water costs but that issue continues to be an area of concern for taxpayers in certain areas of the state.

As a follow-up to the first presentation before the Revenue Oversight Committee, the Department is again providing valuation impact information for each land type. The impact information contained in "Table A. Comparison of Current, Mandated and Recommended Schedules - Phase In" acknowledges all changes adopted by the Agricultural Advisory Committee in their final report. It also identifies the percentage each land type is of the total agricultural land acreage. For example, grazing land acreage comprises 71% of all the agricultural land in Montana, tillable irrigated comprises 3%, and continuously cropped hay land comprises 2%.

Also included is a handout that addresses the impact the proposed valuation schedules would have on each county.

TABLE A. COMPARISON OF CURRENT, MANDATED, AND RECOMMENDED SCHEDULES -- PHASE IN

			Taxable Value per Acre (Taxable value is a percent of Assessed value)			Relative Change in Taxable Value per Acre	
Class	Description	Percent of Total Ag Land Acreage	Current (30.00%)	Mandated (30.00%)	Recommended (3.88%)	Current to Mandated	Current to Recommended
1-3	Tillable Irrigated	3%	$ 9.11	$ 42.60	$ 11.25	368%	23.5%
4	Non-irrigated Farmland	24%	$ 6.83	$ 21.11	$ 6.33	209%	-7.4%
5	Grazing Land	71%	$ 1.06	$ 4.20	$ 1.11	296%	4.9%
6	Continuously Cropped Hay Land	2%	$ 5.22	$ 29.72	$ 7.08	469%	35.7%
7	Non-irrigated Continuously Cropped Farmland	Less than 1%	$ 16.67	$ 58.49	$ 16.41	251%	-1.6%
	Statewide	100%	$ 2.79	$ 10.01	$ 2.81	258%	0.7%

Montana Department of Revenue

Impact of Proposed Agricultural Land Schedules -- PHASE IN
Current vs. Recommended
Irrigated and Non-Irrigated

County	Mills	Current Taxable Value	Current Est. Taxes	Recomm. Taxable Value	Recomm. Est. Taxes	Percent Diff.
Beaverhead	318.99	$2,330,217	$743,319	$2,708,231	$863,901	16.2%
Big Horn	211.29	$3,441,632	$727,199	3,541,764	$748,357	2.9%
Blaine	265.80	$3,889,266	$1,033,762	4,057,871	$1,078,577	4.3%
Broadwater	239.01	$1,027,449	$245,570	1,089,951	$260,508	6.1%
Carbon	303.71	$2,154,795	$654,443	2,237,255	$679,487	3.8%
Carter	279.03	$1,714,560	$478,411	1,883,117	$525,443	9.8%
Cascade	365.25	$4,937,046	$1,803,254	4,733,926	$1,729,065	-4.1%
Chouteau	315.64	$12,785,972	$4,035,703	11,223,575	$3,542,555	-12.2%
Custer	392.76	$2,126,631	$835,263	2,355,802	$925,273	10.8%
Daniels	362.59	$2,373,771	$860,716	2,408,021	$873,135	1.4%
Dawson	352.63	$3,040,230	$1,072,082	3,204,413	$1,129,978	5.4%
Deer Lodge	449.42	$231,178	$103,897	278,995	$125,386	20.7%
Fallon	177.81	$1,285,985	$228,657	1,387,081	$246,632	7.9%
Fergus	331.84	$6,002,715	$1,991,948	5,819,662	$1,931,203	-3.0%
Flathead	354.08	$1,517,960	$537,480	1,603,835	$567,887	5.7%
Gallatin	318.57	$2,783,397	$886,696	2,806,076	$893,920	0.8%
Garfield	277.41	$2,800,632	$776,912	3,018,492	$837,348	7.8%
Glacier	241.97	$3,265,126	$790,050	3,005,304	$727,181	-8.0%
Golden Valley	248.60	$1,122,288	$278,998	1,168,022	$290,368	4.1%
Granite	299.79	$506,173	$151,748	565,194	$169,442	11.7%
Hill	273.17	$6,830,214	$1,865,800	6,682,351	$1,825,408	-2.2%
Jefferson	273.20	$549,496	$150,122	614,878	$167,985	11.9%
Judith Basin	289.16	$3,177,281	$918,728	3,106,967	$898,397	-2.2%
Lake	288.39	$1,267,532	$365,544	1,525,249	$439,867	20.3%
Lewis And Clark	349.13	$1,568,243	$547,517	1,626,794	$567,958	3.7%
Liberty	289.08	$3,662,622	$1,058,777	3,535,716	$1,022,092	-3.5%
Lincoln	282.50	$112,666	$31,828	130,535	$36,875	15.9%
Madison	244.95	$2,081,935	$509,968	2,201,745	$539,316	5.8%
McCone	313.36	$3,452,851	$1,081,991	3,508,512	$1,099,433	1.6%
Meagher	242.17	$1,382,720	$334,849	1,481,667	$358,810	7.2%
Mineral	347.86	$63,507	$22,092	69,516	$24,182	9.5%
Missoula	380.49	$457,022	$173,890	507,354	$193,041	11.0%
Musselshell	228.85	$1,528,630	$349,823	1,575,752	$360,606	3.1%
Park	272.59	$1,469,303	$400,520	1,469,834	$400,664	0.0%
Petroleum	304.96	$834,373	$254,450	899,119	$274,195	7.8%
Phillips	214.33	$3,577,845	$766,831	3,670,136	$786,612	2.6%
Pondera	301.10	$4,946,152	$1,489,265	4,603,312	$1,386,037	-6.9%
Powder River	323.14	$1,793,774	$579,635	1,893,608	$611,895	5.6%
Powell	326.35	$793,096	$258,827	941,168	$307,150	18.7%
Prairie	269.96	$1,119,949	$302,341	1,228,517	$331,650	9.7%
Ravalli	301.16	$1,074,381	$323,562	1,164,928	$350,831	8.4%
Richland	233.33	$3,465,230	$808,552	3,697,048	$862,643	6.7%
Roosevelt	239.00	$3,789,980	$905,801	3,752,491	$896,842	-1.0%
Rosebud	137.24	$2,834,829	$389,043	3,044,785	$417,857	7.4%
Sanders	261.14	$356,135	$93,000	411,109	$107,356	15.4%
Sheridan	232.97	$3,539,815	$824,679	3,521,735	$820,467	-0.5%
Silver Bow	418.60	$193,162	$80,857	213,722	$89,464	10.6%
Stillwater	259.77	$2,414,761	$627,291	2,396,851	$622,638	-0.7%
Sweet Grass	300.55	$1,335,250	$401,309	1,387,870	$417,124	3.9%
Teton	310.78	$5,194,637	$1,614,364	4,989,285	$1,550,546	-4.0%
Toole	241.44	$5,107,754	$1,233,240	4,809,669	$1,161,269	-5.8%
Treasure	267.57	$754,598	$201,908	868,702	$232,439	15.1%
Valley	319.46	$4,797,035	$1,532,441	4,843,682	$1,547,343	1.0%
Wheatland	285.10	$1,319,804	$376,277	1,387,115	$395,467	5.1%
Wibaux	202.40	$1,132,251	$229,168	1,148,056	$232,367	1.4%
Yellowstone	306.00	$3,688,984	$1,128,830	3,806,317	$1,164,734	3.2%
Statewide		$141,004,840	$40,469,228	$141,812,670	$40,647,206	0.4%

NOTE: Estimated taxes are calculated using average state, county and school mill levies.

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COMPUTER ASSISTED MASS APPRAISAL

What is CAMAS?

CAMAS stands for Computer Assisted Mass Appraisal System. The CAMA System is a set of computer programs and user procedures that help create and maintain a database of property information for each county in the state. The database holds the records of property characteristics that affect the tax evaluation of each parcel in the state.

How Does CAMAS Work?

The CAMA System is designed to build and maintain consistent and accurate computerized files of property data (land and improvement) for residential, agricultural, commercial, and industrial properties. It uses these files to produce computer-assisted cost and market valuations of the residential and agricultural properties, and cost and income valuations of the commercial and industrial properties. It maintains property administration data in a separate subsystem from the property data.

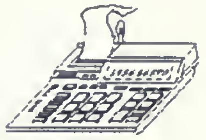
Approaches to Value Using CAMAS

The CAMA system provides the department with the ability to utilize all three approaches to value. (These approaches include COST, MARKET and INCOME.)

Market Modeling

Market modeling gives appraisers the capability to value property using the comparable sales approach to establish market value. When a sufficient number of sales are available, market models can be developed. The models are then applied, in conjunction with a comparable sales analysis, to provide an estimate of the market value of each property. In making this analysis, individual properties are valued using three to five comparable sales. The comparables are adjusted to the subject for differences such as square foot of living area, location, year built, date of sale, quality grade, etc. The adjustments for each comparable are then applied to their sale price. The result is an estimate of value for the subject property, based on the adjusted sales of the comparable properties.

Income Modeling:



Income modeling gives the appraiser the ability to value income producing properties using the income approach to value. In applying the income approach to value, the appraiser must determine market rents, expenses and appropriate capitalization rates.

When income modeling the appraiser develops a basic set of income and expense models based on market data. Through use of a capitalization rate, income is capitalized into an estimate of value. The models created reflect current economic trends in specific valuation areas. The value indications produced by the income approach and the cost approach are compared. A final value for the property is then determined.

Objective of CAMAS

The primary objective of CAMAS is to assist the Department in determining uniform, accurate, equitable and defensible valuations of all types and classes of real property statewide. In order to do so, the data base itself must be uniform and accurate. A sound data base will enable the Department to produce accurate, detailed reports and statistical information pertaining to the valuation of over 686,000 residential, commercial and agricultural properties statewide.

Success of CAMAS

The implementation of CAMA system has enabled the department to transfer necessary data such as owners names, addresses, legal descriptions, property class codes and values by electronic transfer to automated counties for tax assessment and billing systems resident on their county computer systems. This has enabled the department to reduce repetitious data entry that occurred prior to the implementation of CAMAS.

CAMAS has allowed the department to complete this reappraisal cycle with fewer employees than any previous cycle. In the last year of the department's 1978 reappraisal cycle, the Property Assessment Division employed 784 FTE. During the last year of the 1986 reappraisal cycle, the division employed 465 FTE. The division was authorized 397 FTE to complete the current reappraisal cycle. As promised, this reappraisal is being completed with less FTE than any previous reappraisal cycle.

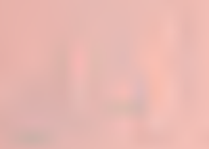
Benefits of CAMAS

The CAMA system allows appraisal staff to maintain both multi-year and multi-cycle appraisal information. It maintains previous, current and future year information for the current appraisal cycle as well as future reappraisal information. It is these features that make CAMAS an intricate but complex system.

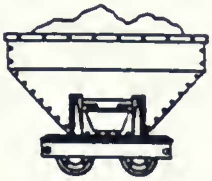
CAMAS allows the Department to utilize all three approaches (cost, market and income) in the valuation of over 686,000 residential, commercial and agricultural properties statewide. This should help reduce the large number of appeals that have been inherent with the completion of previous reappraisal cycles.

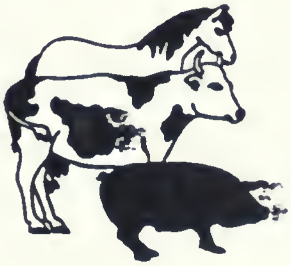
CAMAS provides the State of Montana the opportunity to complete reappraisal cycles on a much more frequent basis than ever before. The legislature was confident enough in the department's new CAMA system to decrease appraisal cycles from 5 years to 3 years.

BUSINESS
EQUIPMENT
VALUATION
SYSTEM



BUSINESS EQUIPMENT VALUATION SYSTEM





Business Equipment Valuation System

What is BEVS?

The Business Equipment Valuation System (BEVS) is a computer assisted valuation system that will assist assessment staff in the valuation and assessment of business equipment and livestock. The system generates market values for equipment and livestock identified in the system based on characteristic data such as quantity, make, model, year acquired, acquired cost etc.. The value of each piece of equipment and/or livestock identified for a specific business owner is recapped by class code to produce a valuation roll-up for that property.

Two years of personal property information (current/previous) can be maintained by the system. The current year's information is stored in a "working file" where changes are made and reports generated. The previous year's information is used for viewing only.

Benefits

Through automation county assessors and their staff will have the ability to generate turn-around documents (reporting forms) to send to property owners for review and verification of business equipment and livestock they have previously reported and are being assessed for. This will mean a substantial savings in time to property owners with large amounts of business equipment and/or livestock to report.

This system provides county assessors and assessment staff the ability to list and value business equipment and livestock reported to the Department by property owners more accurately, uniformly and quicker than ever before. BEVS will enable staff to produce statistical reports by specific property types. These reports can then be used to identify discrepancies in valuation between similar businesses.

Automation of business equipment and livestock valuation will greatly enhance efficiency and allow assessment staff the opportunity to concentrate their efforts on other responsibilities such as on-site field inspections of farms and businesses to ensure a greater degree of accuracy and equity in the valuation and assessment of these properties.

PROPERTY REPORTING FORM

SILVER BOW COUNTY

Business Name: XYZ ENTERPRISES
Mail to Name: JOHN SMITH
Legal Owner: JOHN & JANE SMITH
Mailing Address: 111 MAIN STREET
City: HELENA State: MT Zip: 59601

Business Location: 100 N PARK HELENA

Contact Name:
Phone Number: (406) 555-1212 Fax Number: (406) 555-1213

(Department Use Only)
Assessor Code: ABC1234567 Levy District 1234 County Dist. CD1234

INSTRUCTIONS:

Attached is a list of the personal property items on file at the county of SILVER BOW for the above identified business and owner. Please review and correct the information. Draw a line through items of property you no longer own and add additional items of property on the spaces provided. ATTACH A SEPARATE PAGE IF NECESSARY. Also list the value of supplies on hand in the space provided below. Please don't forget, the law requires a 20% penalty if information isn't returned on time.

EXAMPLE:

		TYPEWRITERS	84	1,050
DELETE →		~~OFFICE MACHINES~~		~~2,000~~
ADD →	2.0	AT&T PHONE	91	834

SUPPLIES ON HAND AS OF JANUARY 1: $__________

AFFIDAVIT OF PERSON LISTING THE WITHIN PROPERTY

I swear that the personal property listed on this reporting form is a complete statement of all taxable property which I, or the business of which I am a member or officer owned, claimed, possessed or controlled at 12 o'clock A.M. on January 1, 1993.

Date ________ SIGN HERE (PREPARER) ____________

Prepared by (PRINT) ____________

Fed.I.D.# or (If None) Social Security # __________

Montana Property Owners:

CAN STATE GOVERNMENT CUT RED TAPE? You bet! This new reporting form is a good example of the state reducing reporting requirements.

No longer are we asking you to annually list all of your personal property. Simply check the form for accuracy of information and let us know if you have added or deleted property. Please make sure you have reported "ALL" of your taxable personal property. Your cooperation will help the department to ensure fair and equitable taxation of personal property statewide.

Please update the information and return to your Assessor's Office within 30 days. For those with livestock, please return to the office by March 10. If you no longer own the business or have livestock, let the office know when it happened.

Remember, the taxes on your property support your local schools and services. We're trying hard to improve our service to you. We welcome any suggestions for improvement you might have.

Mick Robinson, Director
Department of Revenue

Return Address:

COUNTY ASSESSOR
SILVER BOW COUNTY
ADDR LINE 1
ADDR LINE 2

ADDRESS CORRECTION REQUESTED

XYZ ENTERPRISES
JOHN SMITH
111 MAIN STREET
HELENA MT 59601

1993 ASSESSOR CODE: ABC1234567 XYZ ENTERPRISES (001)

SCHEDULE A - LIVESTOCK SUBJECT TO ONLY PER CAPITA TAX

		Assessor's Use Only	
	NUMBER ON MAR. 1		PER CAPITA
ALL HORSES 9-23 mos.		5001	
ALL CATTLE 9-23 mos.		5002	
ALL SHEEP 9-23 mos.		5006	
ALL GOATS 9-23 mos. (Including exotic)		5008	
	NUMBER ON JAN. 1		
ALL SWINE 3-5 mos. (Including exotic)		5007	
ALL POULTRY		5009	
ALL BEES (No. of Hives or Units)		5010	
Buffalo, Elks, Llamas, Deer & other domestic ungulates 9-23 mos.		5011	

Livestock owned by others and taxable to them or owned by you and located elsewhere. List livestock owned by others and taxable to them. This schedule includes all livestock which is in your possession for which you do not assume tax liability. It is your responsibility to furnish the names and addresses of the owners of such properties. If additional space is required, attach a supplemental sheet to this return.

Lessor information (Owner of Property).

Name ______________________________

Mailing Address ______________________________

City, State ZIP Code ______________________________

SCHEDULE B - ASSESSMENT OF LIVESTOCK -- Shaded Areas for Assessor's Use Only

(Defined as cattle, sheep, horses, mules, swine, goats and asses subject to county property tax and per capita tax.) Owners of these animals will report on Schedule B of this form the number of head of each kind that are owned by him or in his control.

		Assessor's Use Only		
HORSES	NUMBER ON MAR. 1		MARKET VALUE	TAXABLE VALUE
Mules, Asses, Shetland Ponies, Donkeys & Burros 24 mos and older		5102		
Stallions 24 mos. - 14 yrs.		5103		
Saddle Horses and Brood Mares 24 mos. - 14 yrs.		5105		
Work & Pack Horse, Riding & Pack Mules, 24 mos. - 14 yrs.		5107		
Show, Race and Roping Horses 24 mos. - 14 yrs.		5108		
All Horses 15 years or older		5109		
Total Horses & Mules				
Per Capita Tax			$	

STOCK AND GRADE	NUMBER ON MAR. 1		MARKET VALUE	TAXABLE VALUE
BULLS 24 mos. and older		5312		
CATTLE 24 mos. - 32 mos.		5315		
CATTLE 33 mos. and older		5316		
STEERS 33 mos. and older		5317		
DAIRY CATTLE 24 mos. and older		5318		
PUREBRED	NUMBER ON MAR. 1		MARKET VALUE	TAXABLE VALUE
BULLS 24 mos. and older		5352		
CATTLE 24 mos. - 32 mos.		5355		
CATTLE 33 mos. and older		5356		
Total Cattle				
Per Capita Tax			$	

SHEEP	NUMBER ON MAR. 1		MARKET VALUE	TAXABLE VALUE
REGISTERED BUCKS 24 mos. and older		5502		
STOCK BUCKS 24 mos. and older		5503		
SHEEP 24 mos. - 70 mos.		5504		
SHEEP 71 mos. and older		5506		
Total Sheep				
Per Capita Tax			$	

GOATS	NUMBER ON MAR. 1		MARKET VALUE	TAXABLE VALUE
BUCKS 24 mos. and older		5402		
DOES 24 mos. and older		5403		
Total Goats				
Per Capita Tax			$	

		Assessor's Use Only		
SWINE	NUMBER ON JAN. 1		MARKET VALUE	TAXABLE VALUE
BOARS 6 mos. and older		5701		
BROOD SOWS 6 mos. and older		5703		
Total Swine				
Per Capita Tax			$	

ASSESSMENT OF OTHER LIVESTOCK

(Defined as fur bearing animals, domestic animals and wildlife in domestication or a captive environment.) **SUBJECT TO THE PER CAPITA TAX.**

		Assessor's Use Only		
OTHER LIVESTOCK	NUMBER ON JAN. 1		MARKET VALUE	TAXABLE VALUE
Male - Yak, Elk, Buffalo		5872		
Female - Yak, Elk, Buffalo		5873		
Male - Llamas		5874		
Neut. - Llamas		5875		
Female - Llamas		5878		
Exotic Goats		5876		
Exotic Pigs		5877		
Deer		5879		
Miniature Horses		5880		
Total				
Per Capita Tax			$	

	MARKET VALUE	TAXABLE VALUE
TOTAL VALUE ALL LIVESTOCK		

NOT SUBJECT TO PER CAPITA TAX.

		Assessor's Use Only		
OTHER LIVESTOCK	NUMBER ON JAN. 1		MARKET VALUE	TAXABLE VALUE
Other Fur Bearing Animals		5851		
Fox / Bobcat / Coyote		5852		
Mink, Beaver and Chinchilla/Ferret		5853		
Breeding Rabbits		5854		
Fryer Rabbits		5855		
Miscellaneous Animals		5871		
Total Other Livestock				

1993 ASSESSOR CODE: ABC1234567 XYZ ENTERPRISES (001)

Assessor's Use Only

* * * COMMERCIAL PROPERTY * * *

TB	SB	QUANTITY	DESCRIPTION	YEAR ACQUIRED	ACQUIRED COST
01	51		SUPPLIES & MATERIALS		550
02	51	25.0	PROFESSIONAL LIBRARIES		
03	51	1.0	COMPUTER SYSTEMS	89	1,250
03	53		VIDEO GAME MACHINES	88	1,675

* * * FARM EQUIPMENT * * *

TB	SB	QTY	YEAR NEW	MAKE	MODEL	2 4	G D	SIZE	YEAR ACQ	ACQUIRED COST	
01	01	1	85	JD	9000				87	12,000	TRACTOR
01	02	1	87	MF	1000D				88	11,500	COMBINE

* * * HEAVY EQUIPMENT * * *

TB	SB	QTY	YEAR NEW	MAKE	MODEL	OTHER DESC	YEAR ACQUIRED	ACQUIRED COST	
01	01	1	80	IH	2000	123H78A98	88	4,500	AIR EQUIPMENT

MISCELLANEOUS OR LEASED PROPERTY OWNED BY OTHERS

This schedule should be used to report property owned by others and taxable to them or owned by you and located elsewhere. This schedule also includes all property which is in your possession for which you DO NOT ASSUME TAX LIABILITY. It is your responsibility to furnish the names and addresses of the owners of such properties. These could include any items which you have on loan or have leased or which you operate jointly with others. This includes people working for you and using their own tools. If additional space is required, attach a supplemental sheet to this return.

Lessor Information (Owner of Equipment)	Leased Equipment Information
Name ______ Mailing Address ______ City, State, ZIP Code ______	Type of Equipment ______ Year ______ Make ______ Model ______ Selling Price New ______ Date of Lease ______ Length of Lease ______
Name ______ Mailing Address ______ City, State, ZIP Code ______	Type of Equipment ______ Year ______ Make ______ Model ______ Selling Price New ______ Date of Lease ______ Length of Lease ______
Name ______ Mailing Address ______ City, State, ZIP Code ______	Type of Equipment ______ Year ______ Make ______ Model ______ Selling Price New ______ Date of Lease ______ Length of Lease ______
Name ______ Mailing Address ______ City, State, ZIP Code ______	Type of Equipment ______ Year ______ Make ______ Model ______ Selling Price New ______ Date of Lease ______ Length of Lease ______
Name ______ Mailing Address ______ City, State, ZIP Code ______	Type of Equipment ______ Year ______ Make ______ Model ______ Selling Price New ______ Date of Lease ______ Length of Lease ______
Name ______ Mailing Address ______ City, State, ZIP Code ______	Type of Equipment ______ Year ______ Make ______ Model ______ Selling Price New ______ Date of Lease ______ Length of Lease ______

Residential Property Tax Rates

Largest City in Each State
Northwest Region, 1991

Rank	City	State	Assessment Level	Effective Rate Per $100 of Market Value
1	Portland	OR	100.0%	$2.64
2	Sioux Falls	SD	84.9%	2.36
3	Boise	ID	96.9%	1.92
4	Fargo	ND	4.5%	1.78
5	**Billings**	**MT**	**3.9%**	**1.43**
6	Seattle	WA	95.7%	1.30
7	Salt Lake City	UT	6.0%	1.08
8	Cheyenne	WY	9.5%	0.72
	Unweighted Average		50.2%	165.4%

Source: Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison.

Residential Property Tax Rates
Largest City in Each State
1991

Rank	City	State	Assessment Level	Effective Rate Per $100 of Market Value
1	Detroit	MI	49.4%	$4.40
2	Milwaukee	WI	96.7%	3.75
3	Newark	NJ	17.4%	2.96
4	Des Moines	IA	65.8%	2.66
5	Philadelphia	PA	32.0%	2.64
6	Portland	OR	100.0%	2.64
7	Manchester	NH	100.0%	2.59
8	Providence	RI	100.0%	2.55
9	Bridgeport	CT	39.4%	2.49
10	Baltimore	MD	40.0%	2.46
11	Sioux Falls	SD	84.9%	2.36
12	Omaha	NE	88.1%	2.31
13	Jacksonville	FL	100.0%	2.15
14	Houston	TX	100.0%	2.00
15	Columbus	OH	35.0%	2.00
16	Boise	ID	96.9%	1.92
17	Fargo	ND	4.5%	1.78
18	Wichita	KS	12.0%	1.76
19	Indianapolis	IN	15.0%	1.75
20	Atlanta	GA	30.0%	1.74
21	Anchorage	AK	96.0%	1.74
22	Portland	ME	46.4%	1.74
23	Wilmington	DE	100.0%	1.63
24	New Orleans	LA	10.0%	1.61
25	Chicago	IL	16.0%	1.59
26	Phoenix	AZ	10.0%	1.47
27	Jackson	MS	10.0%	1.47
28	Burlington	VT	60.7%	1.44
29	**Billings**	**MT**	**3.9%**	**1.43**
30	Columbia	SC	4.0%	1.43
31	Seattle	WA	95.7%	1.30
32	Louisville	KY	92.0%	1.20
33	Charlotte	NC	86.0%	1.15
34	Kansas City	MO	19.0%	1.15
35	Minneapolis	MN	10.9%	1.11
36	Virginia Beach	VA	100.0%	1.09
37	Salt Lake City	UT	60.0%	1.08
38	Oklahoma City	OK	11.0%	1.04
39	Albuquerque	NM	33.3%	1.04
40	Las Vegas	NV	35.0%	1.02
41	Denver	CO	14.3%	0.97
42	Little Rock	AR	18.7%	0.95
43	Washington	DC	94.70%	0.91
44	Boston	MA	100.0%	0.89
45	New York City	NY	8.0%	0.87
46	Cheyenne	WY	9.5%	0.72
47	Birmingham	AL	10.0%	0.70
48	Charleston	WV	37.4%	0.65
49	Los Angeles	CA	61.2%	0.63
50	Memphis	TN	25.0%	0.54
51	Honolulu	HI	100.0%	0.37
	Unweighted Average			$1.64
	Mean			$1.47

Source: Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison.

ADDENDUM A

REPORT

OF THE

DEPARTMENT OF REVENUE

AGRICULTURAL LAND ADVISORY COMMITTEE

RECOMMENDATIONS ON AGRICULTURAL LAND VALUATION IN MONTANA

DEPARTMENT OF REVENUE
AGRICULTURAL LAND
ADVISORY COMMITTEE MEMBERS

- Les Hirsch, Chairman - Farmer/Ranch Owner
  Miles City, MT
- Larry Anderson, Farm Owner
  Chester, MT
- Senator Tom Beck, Farm/Ranch Owner
  Deer Lodge, MT
- David Bliss, Farm Owner
  Conrad, MT
- Al Evans, Ranch Owner/Appraiser
  Roundup, MT
- Representative Marian Hanson, Ranch Owner
  Ashland, MT
- Robert Lenhardt, Farm Owner
  Billings, MT
- Ed Leuthold, Realtor/Appraiser
  Billings, MT
- Ted Underdal, Farm Owner
  Ledger, MT
- Dr. Myles J. Watts, Professor/Farm Owner
  Montana State University
- John E. Witt, Farm/Ranch Owner/County Commissioner
  Carter, MT

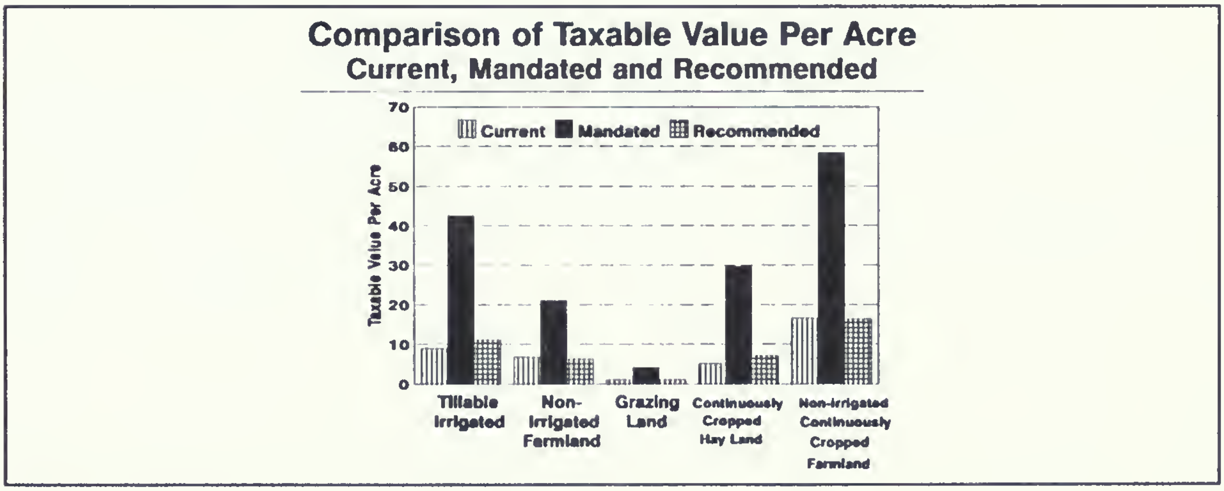
PREFACE

Eighteen months ago, Governor Stephens appointed eleven Montanans to review, evaluate, and recommend changes in taxing nearly 51 million acres of agricultural land. The following report discusses the details of the committee's recommendations. This preface and the executive summary will provide a synopsis for those who do not read the entire report. However, the committee encourages the reading of the entire report.

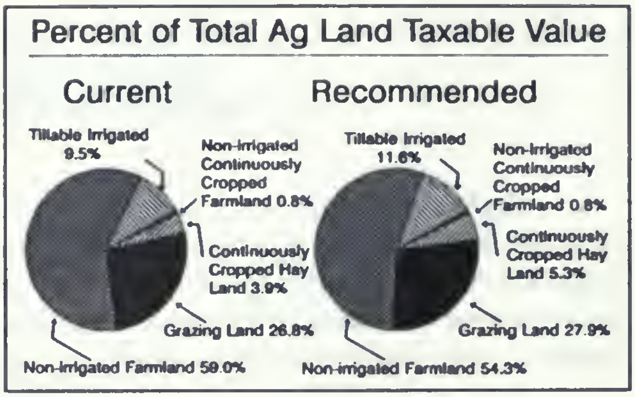
The committee members are knowledgeable of the different types of agriculture and agricultural land values. Furthermore, there is representation from every region of the state.

As mandated, the implementation of existing law 1993 will greatly increase the taxable value of Montana's agricultural land. Unless changed, the result will be an increase in taxable value by 258% over the current system.

As an alternative, the committee recommends a phase-in of new agricultural land values and changes in law that will provide for reasonable land valuation, yet result in no statewide change to the current total taxable value. The relationship between current values, the mandated values that will result from implementation of existing law and the committee's recommended values are illustrated in the graph below.



Comparison of Taxable Value Per Acre
Current, Mandated and Recommended



When valuations are updated, there are always winners and losers. This process is no different. Certain types of land would increase in taxable value while other types would decrease under the recommended system. The pie-chart shows the increases and decreases by land type.

The recommended schedules were based upon rent per acre. The rent of the most common type of irrigated land in Montana was set at $14.43 per acre. The rent of the most common type of dryland crop was set at $9 per acre. The rent of the most common type of pasture was set at $2.10 per acre. For each land type, the appropriate rent was capitalized, using a rate, into a value for each acre.

The committee report has been presented to the executive boards of agricultural groups and to taxpayers at meetings that were held in all regions of the state. There is little doubt that legally the current agricultural land valuation schedules must be updated. The committee asks for your support for the fair and equitable valuation of Montana's agricultural land.

EXECUTIVE SUMMARY

The Agricultural Land Advisory Committee reviewed the current agricultural land value schedules used for property taxation. The current schedules were developed about thirty years ago. The following summary of recommendations is not exhaustive, and those interested in further particulars are referred to the complete report.

Summary of Recommended Changes

The following changes are recommended by the Committee (which may not be consistent with MCA 15-7-201 — which is scheduled to go into effect in 1994) to incorporate the desired level of stability and make the system of agricultural land taxation fairer, simple, and administratively feasible.

1. The assessed value of agricultural land should be determined by capitalizing the rental value of the land.
2. Rental value should be determined as 1/4 cropshare on all cropland.
3. Prices and grazing fees should be based on a seven-year Olympic historical average (with farm program considerations incorporated and hay prices and grazing fees adjusted, as discussed in the report).
4. Water costs due to energy and labor should be deducted from the rental value prior to determining assessed value on irrigated land.
5. The water cost categories should be modified to account for higher costs.
6. The capitalization rate should be 6.4 percent.
7. The taxable rate should be reduced to 3.86 percent, consistent with commercial, residential, and industrial property.
8. The valuation change should be phased in, with 50% of the change occurring on January 1, 1994, and the remaining 50% of the change occurring on January 1, 1997.
9. Water cost deductions should be further analyzed before January 1, 1997.

The Committee views these recommendations as a package to be considered in its entirety. The Committee is not offering these recommendations as a "pick and choose menu" where individual recommendations are selectively chosen or rejected.

These adjustments are intended to result in a statewide total taxable value of agricultural land equal to that under the current system.

Brief Summary of Results

Table 1 allows comparisons between the current schedules and the recommended schedules. The recommended schedules in Table 1 do not reflect an interim phase-in. The phase-in taxable value for the recommended schedule can be calculated for each land grade by adding the current schedule taxable value to the recommended schedule taxable value and then dividing that sum by 2. For example, the phase-in value for class 1-grade 2 land would be $18.54 as determined by this computation, ($13.63 + $23.44 ÷ 2). The relative change in taxable value, if a phase-in approach was adopted, for that land would be 0.36.

The most dramatic increases in taxable values occur in the irrigated land classes (Class 1-3) and continuously-cropped hayland (Class 6). Those receiving the largest reductions in taxable values are the more productive non-irrigated summer fallow farmland (Class 4), non-irrigated continuously-cropped farmland (Class 7), and to a lesser extent the more productive grazing land (Class 5). Table 2 features the recommended and mandated (MCA 15-7-201) schedules for various land classes and grades. In all cases, the taxable value is higher for the mandatory than the recommended. The total taxable value of all agricultural land under the recommended system is equal to the total under the current schedules. The total taxable value under the mandated system averages about 258% greater than either the current schedules or the recommended system. The mandated system is not recommended by the Committee.

TABLE 1. EXAMPLES OF CURRENT AND RECOMMENDED SCHEDULES

Class	Grade	Yield	Current		Recommended		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value*	Taxable Value	
1	2	3.70	45.44	13.63	607.13	23.44	0.72
1	5	2.20	18.43	5.53	281.81	10.88	0.97
2	2	3.70	35.00	10.50	546.41	21.09	1.01
2	5	2.20	15.81	4.74	253.63	9.79	1.06
3	2	3.70	28.47	8.54	485.70	18.75	1.20
3	5	2.20	13.82	4.15	225.45	8.70	1.10
4	1A5	34.50	61.37	18.41	262.12	10.12	-0.45
4	2B	18.50	19.17	5.75	140.56	5.43	-0.06
4	3B	12.50	9.44	2.83	94.97	3.67	0.29
5	1A	8.00	20.51	6.15	133.89	5.17	-0.16
5	3	32.50	3.72	1.12	32.96	1.27	0.14
5	5	77.50	1.47	0.44	13.82	0.53	0.21
6	4	1.70	29.43	8.83	368.69	14.23	0.61
6	6	0.70	10.05	3.02	151.81	5.86	0.94
7	1A2	40.50	108.17	32.45	615.41	23.75	-0.27
7	6	24.50	42.96	12.89	372.29	14.37	0.12

Note: (1) All irrigated land (Classes 1, 2 and 3) used a water cost of $12.50, and (2) Classes 1-3 and 6 yields are tons of hay per acre; Classes 4 and 7 yields are bushels of wheat per acre; and Class 5 is acres per AUM of grazing. Class 1 comprises less than 1%, Class 2 comprises less than 1%, Class 3 comprises 1.5%, Class 4 comprises 24%, Class 5 comprises 71%, Class 6 comprises 2%, and Class 7 comprises less than 1% of the agricultural land in Montana.

* Interpolated from current schedules.

TABLE 2. EXAMPLES OF MANDATED AND RECOMMENDED SCHEDULES

			Mandated (MCA 15-7-201)		Recommended	
Class	Grade	Yield	Assessed Value	Taxable Value	Assessed Value*	Taxable Value
1	2	3.70	252.31	75.69	607.13	23.44
1	5	2.20	113.21	33.96	281.81	10.88
2	2	3.70	227.08	68.12	546.41	21.09
2	5	2.20	101.89	30.57	253.63	9.79
3	2	3.70	201.85	60.55	485.70	18.75
3	5	2.20	90.57	27.17	225.45	8.70
4	1A5	34.50	122.18	36.66	262.12	10.12
4	2B	18.50	65.52	19.66	140.56	5.43
4	3B	12.50	44.27	13.28	94.97	3.67
5	1A	8.00	62.05	18.61	133.89	5.17
5	3	32.50	15.27	4.58	32.96	1.27
5	5	77.50	6.40	1.92	13.82	0.53
6	4	1.70	157.65	47.29	368.69	14.23
6	6	0.70	64.91	19.47	151.81	5.86
7	1A2	40.50	286.87	86.06	615.41	23.75
7	6	24.50	173.54	52.06	372.29	14.37

Note: (1) All irrigated land (Classes 1, 2 and 3) used a water cost of $12.50, and (2) Classes 1-3 and 6 yields are tons of hay per acre; Classes 4 and 7 yields are bushels of wheat per acre; and Class 5 is acres per AUM of grazing. Class 1 comprises less than 1%, Class 2 comprises less than 1%, Class 3 comprises 1.5%, Class 4 comprises 24%, Class 5 comprises 71%, Class 6 comprises 2%, and Class 7 comprises less than 1% of the agricultural land in Montana.

* Interpolated from current schedules.

AGRICULTURAL ADVISORY COMMITTEE REPORT

September 1992

AGRICULTURAL ADVISORY COMMITTEE REPORT

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I. INTRODUCTION

The Agricultural Advisory Committee was appointed by Governor Stephens as provided in 15-7-201, MCA to review and recommend changes in the valuation of agricultural lands for tax purposes. A copy of the 15-7-201 statute, along with a list of the committee members, is presented in Appendix A.

This report presents the findings and recommendations of the Agricultural Advisory Committee. The remainder of the report is divided into four sections: Section II provides a historical perspective to this process, Section III discusses the current system of land valuation, Section IV presents two revised systems of land valuation (one revised system is based on the recommendations of the Committee; the other system, referred to as "mandated," is consistent with 15-7-201, MCA), Section V examines the effects of changing from the current system to the revised systems, and Section VI summarizes the recommendations and conclusions of the Agricultural Advisory Committee.

The Committee's charge to review and recommend procedures for determining agricultural land values is based on an understanding that current total agricultural land taxable value will not be changed. As such, no part of this report should be interpreted as a recommendation for a change in total agricultural land taxable value.[1]

The Committee developed the recommended modifications for agricultural land taxable value using the following considerations:

(1) Fairness — It is the belief of the Committee that agricultural land generating similar returns net of production costs should be taxed in a similar manner. Land generating differing levels of returns net of production costs should be taxed in proportion to the returns generated. It is also the belief of the Committee that the method of taxing agricultural real property should be consistent with non-agricultural real property.

(2) Simplicity — The tax system should be designed to be as understandable as reasonably possible.

(3) Administrative Feasibility — The tax system should be administratively efficient (low cost). Usually simpler systems are less expensive and easier to update than complex systems.

(4) Stability — Tax systems should adjust to long-term economic trends but not vary with short-term economic fluctuations.

It is the intent of the Committee to recommend a mechanism which meets these criteria and is easily updated.

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[1] The Committee depended on available data in meeting this requirement. However, the revised schedules account for higher water costs, whose distribution is unknown. Because irrigated land accounts for approximately 3% of the agricultural land, the impact should be minor.

II. HISTORY

The current agricultural land valuation schedules were developed under the guidance of the Board of Equalization in the early 1960s. As of July 1, 1973, the Department of Revenue was delegated the responsibility for classifying all agricultural lands.

Over the past thirty years, various aspects of these schedules have been debated. During the 1985 reappraisal cycle, the Department of Revenue, with the assistance of agricultural representatives, recommended revisions in the valuation schedules. However, after public debate, the 1985 Legislature froze the current agricultural land valuation schedules and provided direction for developing future agricultural land schedules.

The last Legislature called for a review of and recommended changes in the valuation schedules (15-7-201 MCA). Since the current schedules are virtually the same as those developed in the early 1960s (although some modifications have occurred) and since there has been substantial changes in many aspects of the economy, it is only reasonable and fair that the agricultural land valuation schedules be reviewed and modified as appropriate.

III. CURRENT SYSTEM

The current agricultural land value schedules used by the State of Montana for tax assessment are presented in Tables 1 and 2. The non-irrigated agricultural land values in Table 2 were originally developed and adopted by the Board of Equalization in 1962. The irrigated land values in Table 1 were originally developed by the Montana Association of County Commissioners but also adopted by the Board of Equalization in September of 1962.

IV. REVISED SYSTEM

The Committee recommends the following approach for calculating the assessed value of agricultural land.

Valuation Formula

The revised systems of determining agricultural land values are based on a simple relationship between the productive value of land and the expected returns from that land. The productive value of land is the sum of money that would earn annual interest equal to the annual expected returns from owning the land. The relationship can be expressed in the following form:

$$Vr = R$$

where: V = productive value of land,
r = interest rate,
R = expected annual return.

TABLE 1. CURRENT ASSESSED VALUES FOR MONTANA IRRIGATED AGRICULTURAL LANDS

CLASS 1 (Maximum Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 - 2.49	$2.50 - 3.49	$3.50 - 4.49	$4.50 - 5.49	$5.50 - 6.49	$6.50 - 7.49	$7.50 & Over
1A	4.5 +	110.40	103.74	97.07	90.40	83.74	77.07	70.40	63.74
1B	4.0-4.4	94.70	88.98	83.26	77.55	71.83	66.11	60.39	54.68
2	3.5-3.9	78.70	73.96	69.20	64.45	59.70	54.94	50.19	45.44
3	3.0-3.4	63.70	59.85	56.00	52.16	48.31	44.47	40.62	36.78
4	2.5-2.9	48.53	45.60	42.67	39.74	36.81	33.88	30.95	28.02
5	2.0-2.4	31.92	30.00	28.07	26.14	24.21	22.29	20.36	18.43
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

CLASS 2 (Medium Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 - 2.49	$2.50 - 3.49	$3.50 - 4.49	$4.50 - 5.49	$5.50 - 6.49	$6.50 - 7.49	$7.50 & Over
1A	4.5+	97.26	90.60	83.93	77.27	70.60	63.94	57.27	50.60
1B	4.0-4.4	81.72	76.12	70.52	64.92	59.32	53.72	48.12	42.52
2	3.5-3.9	67.27	62.66	58.05	53.44	48.83	44.22	39.61	35.00
3	3.0-3.4	53.90	50.21	46.51	42.82	39.12	35.43	31.73	28.04
4	2.5-2.9	41.60	38.76	35.90	33.05	30.20	27.35	24.49	21.65
5	2.0-2.4	30.39	28.31	26.22	24.14	22.06	19.98	17.89	15.81
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

CLASS 3 (Minimum Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 - 2.49	$2.50 - 3.49	$3.50 - 4.49	$4.50 - 5.49	$5.50 - 6.49	$6.50 - 7.49	$7.50 & Over
1A	4.5+	86.26	79.60	72.93	66.27	59.60	52.94	46.27	39.60
1B	4.0-4.4	73.84	68.14	62.43	56.72	51.02	45.31	39.60	33.90
2	3.5-3.9	62.01	57.22	52.43	47.64	42.84	38.05	33.26	28.47
3	3.0-3.4	50.79	46.86	42.94	39.02	35.09	31.16	27.24	23.32
4	2.5-2.9	40.15	37.05	33.95	30.85	27.74	24.64	21.54	18.43
5	2.0-2.4	30.11	27.78	25.46	23.13	20.80	18.48	16.15	13.82
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

TABLE 2. CURRENT ASSESSED VALUES FOR MONTANA NON-IRRIGATED AGRICULTURAL LANDS

CLASS 4 Non-irrigated Farmland

Grade	Wheat Per Acre on Summer Fallow	Assessed Value Per Acre
1A8	40 & over	81.08
1A7	38-39	74.51
1A6	36-37	67.94
1A5	34-35	61.37
1A4	32-33	54.80
1A3	30-31	48.60
1A2	28-29	42.79
1A1	26-27	37.31
1A	24-25	32.22
1B	22-23	27.50
2A	20-21	23.15
2B	18-19	19.17
2C	16-17	15.56
3A	14-15	12.31
3B	12-13	9.44
4A	10-11	6.94
4B	8- 9	4.81
5	Under 8	3.06

CLASS 5 Grazing Land

Grade	Acres Per 1000# Steer 10 Mos.	Assessed Value Per Acre
1A2	Under 3	71.69
1A1	3-5	44.18
1A+	5.1-5.9	31.27
1A	6-10	20.51
1B	11-18	10.53
2A	19-21	7.17
2B	22-27	5.42
3	28-37	3.72
4	38-55	2.52
5	56-99	1.47
6	100 or over	.82

CLASS 6 Continuously Cropped Hay Land

Grade	Tons of Hay Per Acre	Assessed Value Per Acre
1	3.0 & over	67.60
2	2.5-2.9	53.03
3	2.0-2.4	41.38
4	1.5-1.9	29.43
5	1.0-1.4	19.38
6	.5-.9	10.05
7	Less than .5	5.54

CLASS 7 Non-irrigated Continuously Cropped Farmland

Grade	Bu. of Wheat Per Acre Each Year	Assessed Value Per Acre
1A4	44 & over	125.71
1A3	42-43	116.94
1A2	40-41	108.17
1A1	38-39	99.40
1A	36-37	90.63
1	34-35	81.86
2	32-33	73.09
3	30-31	64.81
4	28-29	57.05
5	26-27	49.75
6	24-25	42.96
7	22-23	36.67
8	20-21	30.87
9	18-19	25.56
10	16-17	20.75
11	14-15	16.41
12	12-13	12.59
13	10-11	9.25
14	Less than 10	6.41

Solving for the productive value, the formula is usually written as:

$$V = \frac{R}{r}$$

where the interest rate r, by which the expected annual return is converted into its equivalent market value, is called the capitalization rate.

For example, if a parcel of land is expected to generate returns of $10,000 per year and the appropriate capitalization rate is 8 percent, then the productive value of the land is $125,000 (10,000/.08). That is, the $125,000 invested at an interest rate of 8 percent would earn an amount equal to the annual expected return from owning the land ($10,000).

Effective Tax Rate

In the case of land that is taxed, the above valuation formula must be altered. For land that is taxed, the productive value is still the amount of money that would earn annual interest equal to the annual returns from owning the land. The annual returns from owning the land are now reduced by the tax. The tax equals the value of the land times the effective property tax rate. The valuation formula now takes the form:

$$Vr = R - Vt$$

where: t = effective property tax rate.

Solving for the value,

$$Vr + Vt = R$$

$$V(r + t) = R$$

$$V = \frac{R}{(r + t)}$$

where r + t is the capitalization rate.

For example, if a parcel of land is expected to yield a permanent return of $10,000 per year, the appropriate interest rate is 8 percent, and the property tax rate is 2.5 percent of productive value, then the value of the land is $95,238 ($10,000/.105). The effect of the 2.5 percent tax is a reduction in the value of land from $125,000 to $95,238. The value of the land has fallen because the expected returns from owning the land are lower due to the tax.

This is the traditional and widely-accepted discounted value of earnings approach to valuing land. Because the returns to land and capitalization rate are assumed to be constant into perpetuity, it is referred to as the capitalized value of earnings approach.

Effect of Inflation

An often misunderstood aspect of the capitalized value of earnings approach is the effect of inflation. Inflation impacts both the interest rate and the returns. With inflation, an inflation premium is included in the interest rate to reimburse investors for the erosion in future purchasing power. If returns are expected to be constant without inflation, then returns are expected to increase with inflation. It is correct to use an interest rate which includes the inflation premium, along with explicitly accounting for the influence of inflation on future returns. In order to do this, however, the capitalization formula as outlined above cannot be used. The returns are changing each year due to inflation and a different capitalization formula must be used (see Appendix B). The usual approach is to choose an interest rate which does not include an inflation premium and apply it to returns which are expected to remain unchanged in constant valued dollars (exclude the influence of inflation). The principal issues then become how to measure the returns to farmland and what is the appropriate interest rate for determining farmland values.

Measuring Returns to Farmland

The obvious measure of returns to farmland is net income from farm production, where net income is generally defined as gross income from production less production expenses. Net income is the measure of returns currently proposed by the Montana Legislature for determining land market values. Specifically, an average of the net income produced over a complete crop rotation cycle is proposed.

Although the net income measure is intuitively appealing, there are problems with estimating net income in practice. The main concerns are the lack of availability of appropriate data and the time and other expense involved in updating the data. In particular, accurate estimates of operating expenses are difficult and expensive to obtain.

Land Rent

A simpler measure of returns to farmland is the rental value of land. The rationale for using the rental value of land as a measure of returns to farmland is simple. Farmland can be rented under a cropshare rental arrangement where the owner of the land (the landlord) receives a certain share or percentage of the crop produced by the tenant as rent for use of the land. The value of the percentage of the crops received by the landlord under this arrangement is a measure of the net returns to the farmland in production.

Suppose a tenant and landlord agree, for example, to a 1/4 cropshare rental arrangement. The return to the landlord for the land in production under this arrangement is 25 percent of the gross revenue. This is the net return to the land in production. The remaining 75 percent of the gross revenue represents costs to the landlord and compensation to the tenant for nonland inputs. If the gross revenue from production is $150,000, the returns to land in producing the crop are $37,500

(150,000 x .25). The remaining $112,500 (150,000 x .75) represents returns to the tenant and costs of production to the landlord for the tenant's inputs.

Unlike the net income measure, the data needed to estimate land rent as a measure of returns to farmland are readily available and easy to update. All that is required is a determination of the appropriate cropshare arrangement and data on crop prices and yields. For these reasons, the Committee recommends the rental value of land as the measure of returns to farmland for determining agricultural land values. It is used as the measure of returns to farmland in the upcoming analysis of the revised system as recommended by the Committee, and in the revised system as mandated by the Legislature.

The Capitalization Rate

The capitalization rate is the rate at which individuals discount future income exclusive of any expectations they may have about inflation. That is, individuals expect to be reimbursed for giving up a current sum of money for future returns from farmland over and above any reimbursements for a decline in the purchasing power of those returns due to general price inflation. The rate of return they expect to earn as reimbursement for this tradeoff is the capitalization rate. Since it does not include any inflation component, the capitalization rate is essentially a measure of the expected real rate of return.

Because nominal rates of interest as mandated in 15-7-201, MCA lead to incorrect land values under the capitalized value of earnings approach (unless inflation is included in the returns and an expanded form of the valuation formula is used), the Committee recommends a measure of a capitalization rate based on rent-to-value ratios. Rent-to-value ratios compare the annual cash rent for which land is or can be leased to the cost of acquiring the land. Cropland rent-to-value ratios from 1986 to 1990 are presented in Table 3.

TABLE 3. RENT-TO-VALUE RATIO OF CROPLAND IN MONTANA, 1986-1990

	Rent/Value (%)[a]		
Year	Irrigated	Non-irrigated	Pasture
1986	6.6	8.4	4.1
1987	6.1	10.1	5.0
1988	5.6	7.8	3.3
1989	8.5	8.4	6.3
1990	8.3	8.3	6.8
Average	**7.02**	**8.60**	**5.1**

[a] Rent-to-value ratios obtained from *Agricultural Resources*, Agricultural Land Values and Markets, United States Department of Agriculture, June 1990.

The average annual per acre rent-to-value ratio from 1986 to 1990 was 7.02 percent for irrigated land, 8.60 percent for non-irrigated land, and 5.1 percent for pasture or grazing land. These averages are useful in determining agricultural land values because they are a measure of the rate of return individuals might expect, including a return for taxes. That is, the average annual return to irrigated cropland of 7.02 percent is a measure of the return individuals expect for foregoing current income for future returns plus a return for taxes. It is the judgement of the Committee that the appropriate long-term capitalization rate is 6.4% for all classes of agricultural land. While Table 3 indicates some short-term fluctuations, the Committee believes the longer-term capitalization rate is more stable and should remain at 6.4%.

V. CURRENT VERSUS REVISED SYSTEM

The following analysis explores the effects of changing from the current system of agricultural land tax assessment in Montana to the revised systems as recommended by the Committee and as mandated by the Legislature. Both of the revised systems are based on the capitalized value of earnings, where the rental value of land is used as a measure of the returns to farmland.

The first part of this section describes the data used in the analyses. The second part discusses the results.

Description of Data

Both the recommended and mandated revised systems use the following land classification scheme, which is a modification of the current system. The schedules for the revised system as recommended by the Committee are presented in Appendix Tables 1 through 7. The schedules for the revised system as mandated are presented in Appendix Tables 8 through 14. (The Appendix tables are presented at the end of this report.)

The land is divided into seven classes: Classes 1 through 3 are tillable irrigated lands — maximum, medium, and minimum rotation respectively; Class 4 is non-irrigated summer fallow farmland; Class 5 is grazing land; Class 6 is continuously cropped hay land; and Class 7 is non-irrigated continuously cropped farmland. Within each class of land, different levels of productive quality or grades of the land are specified. For example, each class of tillable irrigated land (Classes 1 through 3) has nine production levels/grades of land labeled as Grades 1A - 8. Grade 1A is the most productive land, in terms of output produced on tillable irrigated lands, while Grade 8 is the least productive. These grades or production categories are identical to those used in the current agricultural land value schedules (Tables 1 and 2).

For each class/grade of land, the following variables are determined:

Water Cost (on irrigated land)

Water cost is the per acre energy cost of irrigation equipment plus labor. The energy cost is a seven-year Olympic average[2] under the revised system recommended by the Committee, and three-year averages under the mandated revised system. Labor costs are zero for pivot sprinkler irrigation systems; $4.50 per acre for tow lines, side roll, and lateral sprinkler irrigation systems; and $9.00 per acre for hand-move and flood irrigation systems.

Seven water cost categories — $2.50, $7.50, $12.50, $17.50, $22.50, $27.50, and $32.50 — are recommended for each grade of land in each of the three classes of irrigated land (Classes 1 through 3). These categories — $2.50, $7.50, $12.50, $17.50, $22.50, $27.50, and $32.50 — are different from the various water cost categories used in the current schedules (Table 1) and are referred to in this report as the redefined water cost categories. The water cost for all other non-irrigated class/grade categories of land is zero. For irrigated parcels of 40 acres or less, water costs are $12.50 per acre rather than the labor and energy costs.

Yield

Yield is the average of the high and low amounts of base crop produced per acre of land in each grade, as presented in the current schedules of land values (Tables 1 and 2). For example, the yield for Class 1/Grade 1B land in the current schedule (Table 1) is from 4.0 to 4.4 tons of alfalfa per acre. This is converted to an average yield of 4.2 tons of alfalfa per acre. In cases where the land is used to produce a variety of different crops, the predominant crop produced is the base crop. For example, alfalfa is the base crop for tillable irrigated lands, Classes 1 through 3, and continuously-cropped hayland, Class 6. Wheat is the base crop for non-irrigated farmlands, Class 4 and Class 7.

For Class 5 grazing land, yield is the number of acres required to support a 1,000 lb steer per month (acres per animal unit month). It is calculated as 10 divided into the average of the maximum and minimum number of acres required to support a 1,000 lb steer for 10 months, as shown in Table 2 of the current schedules.

On non-tillable irrigated grazing land, the yield, under the recommended system, will be based upon grazing capacity bas follows:

$$\text{Yield} = \frac{\text{Animal Unit Months of Grazing} \times \begin{array}{c}\text{700 Lbs. of Dry Matter}\\ \text{Per AUM}\end{array}}{\text{2,000 Lbs/Ton}}$$

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[2] The Olympic average excludes the highest and lowest price over that seven-year period.

Current Assessed Value

Current assessed value is the per acre value of land currently used by the Montana Department of Revenue for assessing taxes, as presented in the current agricultural land value schedules (Tables 1 and 2).

For all non-irrigated lands (Classes 4-7, Appendix Tables 4-7), the current assessed values are identical to those given in the current schedule for non-irrigated land (Table 2). In the case of irrigated lands (Classes 1-3, Appendix Tables 1-3), the current assessed value for each of the six redefined water cost categories — \$2.50, \$7.50, \$12.50, \$17.50, \$22.50, \$27.50 and \$32.50 — is an average of the various water cost categories given in the current schedule for irrigated lands (Table 1). The value for the \$2.50 water cost category is the average of the values for the \$1.50 to \$3.49 water cost categories; the value for the \$7.50 category is the average of the values for the \$6.50 to \$7.50 and above categories. The values for the \$12.50, \$17.50, \$22.50, \$27.50 and \$32.50 water cost categories are identical to the values for the \$7.50 and over water cost category in the current schedule.

Adjusted Assessed Value

The adjusted assessed value is the capitalized average of the rental value of land. It is calculated as:

$$V = \frac{R}{(r + t)}$$

where: V = adjusted assessed value,
R = an average of the past and present rental value of land per acre,
r = interest rate,
t = effective tax rate.

In the case of Class 1 irrigated land and non-irrigated cropped farm and hay lands (Classes 4, 6, and 7), a 1/4 cropshare rental arrangement is used. This is the common 1/3 cropshare arrangement in Montana, less 25 percent for oversight and other general management costs borne by the landlord. The average of the past and present rental value of land (R) is then calculated as 1/4 of the crop yield per acre of land times an average price for that crop. On non-irrigated farmland (Class 4), 1/8th is used to adjust for summer fallow where crops are planted every other year. If the land is irrigated (Classes 1-3), labor and energy water costs are deducted from the rental value of the land.

The cropshare is multiplied by the commodity price to calculate returns. For the revised system recommended by the Committee, the average price for all commodities is a seven-year Olympic average for the period 1983 to 1989. A three-year average for the period 1987 through 1989 is used in the revised system mandated by the Montana Legislature. A seven-year Olympic average is recommended over a three-year average to reduce the influence of years with atypically-high or low prices. Crop price data are obtained from *Montana Agricultural Statistics 1990*. Grazing fee data are from the Montana Crop and Livestock Reporting Service.

Two adjustments are made in calculating average prices. First, based on information from the Montana Crop and Livestock Reporting Service that the reported price of hay may not be representative of the typical hay produced in Montana because of higher quality and higher-priced hay commonly traded in the market, the average price of hay is multiplied by 80 percent. Second, because of the new farm program, the "effective price" of wheat in each year is calculated as a weighted average of the current target price and market price of wheat. The weights are based on (1) the percent of total base acres eligible for government payments and (2) the percent of total base acres that can be planted and sold in the market. For example, on a 100 acre parcel in Montana, the average farm program base acreage would be 60 acres. Of the 60 acre base, 70% or 42 acres can be planted and will be eligible for government payments. For the remaining acres, 15% of the base (60) or 9 acres can be planted as "flex acres" and the production can be sold at the market price. The remaining 15% of the base (60) or 9 acres (called ACR Acres) cannot be planted. From this information, a weighted average for wheat is calculated based on the target price and the market price received for the "flex acres" production.

For example, the weighted average price including government program acreage and flex acreages is:

$$\frac{42 \text{ acres} \times \$4 \text{ (target price)} + 9 \text{ acres} \times 3.45 \text{ (market price)}}{51}$$

$$= \$\ 3.90$$

This would be the "effective price" for wheat. The market price of wheat used to calculate the effective price is either the seven-year Olympic average or the three-year average for the recommended or mandated system, respectively.

In the case of Class 5 grazing land, the average of the past and present per acre net rental value of land is calculated as 75 percent of the average grazing fee for a 1,000 pound animal divided by the number of acres required to support a 1,000 pound steer per month (acres per animal unit month).

As discussed earlier, the capitalization rate for the revised system as recommended by the Committee is based on the annual per acre rent-to-value ratios for cropland as reported in Table 3. The rate recommended is 6.4 percent.

The capitalization rate for the revised system mandated by the Montana Legislature is the annual average interest rate on agricultural loans reported by the Federal Land Bank Association of Spokane, Washington (11.085 percent) plus the effective tax rate. The effective tax rate is calculated by dividing the average tax liability per acre of agricultural land by the average taxable value per acre of agricultural land. The derivation is:

$$(1)\quad t = \frac{L}{V}$$

$$(2)\quad L = \frac{\text{Total Ag Land Property Taxes}}{\text{Total Acres}}$$

$$(3)\quad V = \frac{Y}{(t + r)}$$

Where:

t = effective tax rate,
L = average tax liability per acre[3] = .896,
V = average taxable value per acre,
Y = average income per acre[4] = 4.602,
r = interest rate = .11085.

Solving for V in Equation (1) above, equating with (3), and solving for t yields:

$$t = \frac{Lr}{Y - L}$$

$$t = \frac{(.896)(.11085)}{(4.602)-(.896)}$$

$$t = .0268$$

Given the effective tax rate is 2.68 percent, the capitalization rate as mandated in 15-7-201, MCA is equal to 11.085 + 2.68 or 13.765 percent.

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[3] The average tax liability per acre is calculated as the total number of agricultural acres divided into total agricultural land property taxes. Based on information from the Montana Department of Revenue, the total agricultural land in Montana is 50,417,997 acres. Total agricultural land property taxes are $45,152,203. On average, then, the tax liability of agricultural land in Montana is $0.896 per acre.

[4] The average income per acre is calculated as a weighted average of income across all grades and classes of land.

Adjustments in Irrigated Land Classes (crop rotation and growing season)

The adjusted assessed value is calculated as outlined above for all classes of land except Class 2 and Class 3 irrigated lands. The adjusted assessed value for Class 2 land is calculated as 90 percent of the value for Class 1 land; Class 3 land is 80 percent of the value for Class 1. These adjustments reflect the judgement of the Committee on the three classes of land based on productivity. Among other things, productivity includes climatic conditions, soil fertility, and possible crops that can be grown. In cases where the adjusted assessed value is less than $5 per acre, the value is assumed to be $5. The minimum adjusted assessed value under both the revised system recommended by the Committee and the mandated revised system is, thus, $5 per acre.

Taxable Value

The taxable value[5] is calculated by multiplying the assessed value by the taxable rate. The Committee recommends that the taxable rate be reduced from its current level of 30% to 3.86%, consistent with the taxable rate for residential, commercial, and industrial property for the recommended system.[6]

To illustrate the impact of the recommendation, consider Class 5, Grade 3 land (grazing land, 1 AUM per 3.25 acres — the class containing the most acres of land). The current assessed value is $3.72 per acre, which when multiplied by the taxable rate of 30% yields the current taxable value of $1.12. The recommended adjusted assessed value is $32.96 per acre, which when multiplied by the taxable rate of 3.86% yields an adjusted taxable value of $1.27. The relative change in taxable value is the adjusted taxable value divided by the current taxable value, or in this case.

$$\text{Relative Change} = \frac{1.27}{1.12} - 1 = .13$$

The relative change of .13 means that the taxable value increased by 13% for this land category under the recommended system.[7]

Table 4 summarizes the average prices, capitalization rate, and taxable value used in calculating the adjusted values as recommended by the Committee and as mandated by the Legislature.

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[5] The mill levy is multiplied by the taxable value to calculate the tax liability.

[6] 15-7-201, MCA provides no guidance on the appropriate taxable rate so the current taxable rate of .3 was used to calculate the taxable value under the mandated system.

[7] Various tables in this report show a relative change of 14% for Grade 5, Class 3 land. The difference is due to rounding.

TABLE 4. AVERAGE PRICES AND CAPITALIZATION RATE

	Recommended	15-7-201, MCA
Price of Hay	55.52	51.06
Price of Wheat (effective)	3.89	3.90
Grazing Fee	9.14	9.11
Capitalization Rate	6.40%	13.765%
Taxable Rate	3.86%	30%

Discussion of Results

This section discusses the results using a capitalization rate of 6.4 percent and a seven-year Olympic price average as recommended by the Agricultural Advisory Committee. These results are presented in Appendix Tables 1 through 7. Combining the seven-year Olympic average, as discussed previously, with the taxable rate of 3.86, results in the aggregate taxable value of agricultural land being equal to the aggregate taxable value of land under the current system[8]. A 13.765 percent capitalization rate and three-year price average were used to develop the revised system as mandated by 15-7-201 MCA, and the results are listed in Appendix Tables 8 through 14. The taxable values under the mandated system are substantially increased from their current values (note relative changes). Thus, Appendix Tables 8 through 14 are provided for informational purposes and are not viewed, as they stand, as a reasonable alternative.

Table 5 allows comparisons between the current schedules and the recommended schedules (for example, class and grade). The most dramatic increases in taxable values occur in the irrigated land classes (Class 1-3) and continuously-cropped hayland (Class 6). Those receiving the largest reductions in taxable values are the more productive non-irrigated summer fallow farmland (Class 4), non-irrigated continuously-cropped farmland (Class 7), and to a lesser extent the more productive grazing land (Class 5). Table 6 features the recommended and mandated (MCA 15-7-201) schedules for various land classes and grades. In all cases, the taxable value is higher for the mandatory than the recommended. The total taxable value of all agricultural land under the recommended system is equal to the total under the current schedules. The total taxable value under the mandated system averages about 258% greater than either the current schedules or the recommended system.

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[8] As mentioned in an earlier footnote, the distribution of redefined water costs is not known. As a result, it is not possible to determine whether the total taxable value under the recommended system is exactly equal to the current system. However, the Committee believes that the recommended system results in a total taxable value within 1% of the current system.

TABLE 5. EXAMPLES OF CURRENT AND RECOMMENDED SCHEDULES

Class	Grade	Yield	Current		Recommended		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value*	Taxable Value	
1	2	3.70	45.44	13.63	607.13	23.44	0.72
1	5	2.20	18.43	5.53	281.81	10.88	0.97
2	2	3.70	35.00	10.50	546.41	21.09	1.01
2	5	2.20	15.81	4.74	253.63	9.79	1.06
3	2	3.70	28.47	8.54	485.70	18.75	1.20
3	5	2.20	13.82	4.15	225.45	8.70	1.10
4	1A5	34.50	61.37	18.41	262.12	10.12	-0.45
4	2B	18.50	19.17	5.75	140.56	5.43	-0.06
4	3B	12.50	9.44	2.83	94.97	3.67	0.29
5	1A	8.00	20.51	6.15	133.89	5.17	-0.16
5	3	32.50	3.72	1.12	32.96	1.27	0.14
5	5	77.50	1.47	0.44	13.82	0.53	0.21
6	4	1.70	29.43	8.83	368.69	14.23	0.61
6	6	0.70	10.05	3.02	151.81	5.86	0.94
7	1A2	40.50	108.17	32.45	615.41	23.75	-0.27
7	6	24.50	42.96	12.89	372.29	14.37	0.12

Note: (1) All irrigated land (Classes 1, 2 and 3) used a water cost of $12.50, and (2) Classes 1-3 and 6 yields are tons of hay per acre; Classes 4 and 7 yields are bushels of wheat per acre; and Class 5 is acres per AUM of grazing. Class 1 comprises less than 1%, Class 2 comprises less than 1%, Class 3 comprises 1.5%, Class 4 comprises 24%, Class 5 comprises 71%, Class 6 comprises 2%, and Class 7 comprises less than 1% of the agricultural land in Montana.

* Interpolated from current schedules.

TABLE 6. EXAMPLES OF MANDATED AND RECOMMENDED SCHEDULES

			Mandated (MCA 15-7-201)		Recommended	
Class	Grade	Yield	Assessed Value	Taxable Value	Assessed Value*	Taxable Value
1	2	3.70	252.31	75.69	607.13	23.44
1	5	2.20	113.21	33.96	281.81	10.88
2	2	3.70	227.08	68.12	546.41	21.09
2	5	2.20	101.89	30.57	253.63	9.79
3	2	3.70	201.85	60.55	485.70	18.75
3	5	2.20	90.57	27.17	225.45	8.70
4	1A5	34.50	122.18	36.66	262.12	10.12
4	2B	18.50	65.52	19.66	140.56	5.43
4	3B	12.50	44.27	13.28	94.97	3.67
5	1A	8.00	62.05	18.61	133.89	5.17
5	3	32.50	15.27	4.58	32.96	1.27
5	5	77.50	6.40	1.92	13.82	0.53
6	4	1.70	157.65	47.29	368.69	14.23
6	6	0.70	64.91	19.47	151.81	5.86
7	1A2	40.50	286.87	86.06	615.41	23.75
7	6	24.50	173.54	52.06	372.29	14.37

Note: (1) All irrigated land (Classes 1, 2 and 3) used a water cost of $12.50, and (2) Classes 1-3 and 6 yields are tons of hay per acre; Classes 4 and 7 yields are bushels of wheat per acre; and Class 5 is acres per AUM of grazing. Class 1 comprises less than 1%, Class 2 comprises less than 1%, Class 3 comprises 1.5%, Class 4 comprises 24%, Class 5 comprises 71%, Class 6 comprises 2%, and Class 7 comprises less than 1% of the agricultural land in Montana.

* Interpolated from current schedules.

VI. SUMMARY OF RECOMMENDATIONS

Primary Recommendations

The following changes are recommended by the Committee (which may not be consistent with MCA 15-7-201) to incorporate the desired level of stability and make the system of agricultural land taxation fairer, simple, and administratively feasible.

1. The assessed value of agricultural land should be determined by capitalizing the rental value of the land.
2. Rental value should be determined as 1/4 cropshare on all cropland.
3. Prices and grazing fees should be based on a seven-year Olympic historical average (with farm program considerations incorporated and hay prices and grazing fees adjusted, as discussed previously).
4. Water costs due to energy and labor costs should be deducted from the rental value prior to determining assessed value.
5. The water cost categories should be modified to account for higher costs.
6. The capitalization rate should be 6.4 percent.
7. The taxable rate should be reduced to 3.86 percent.

The Committee views these recommendations as a package to be considered in their entirety. The Committee is not offering these recommendations as a "pick and choose menu" where individual recommendations are selectively chosen or rejected.

These adjustments are intended to result in a statewide total taxable value of agricultural land equal to that under the current system. However, the Committee realizes the impacts may vary across tax districts and that a "phase in" period may be desirable.

Miscellaneous Recommendations

The Committee has reviewed the schedules, guidelines and Agricultural Land Classification manual adopted by the Department of Revenue. The Department has adopted approaches to the valuation of specific types of crops only common to certain areas of the state. The Committee recommends the following guidelines for valuation of those crops.

Cultivated Christmas Tree Farms

The following criteria should be met for acreage to be classified as a bona fide Christmas tree farm:

1. All trees must be cultivated or be under accepted, proven husbandry practices, and
2. All trees must be sheared on a regular basis, and
3. The acreage must contain a minimum of 2,000 trees.

If all criteria are met, the land classification for acreage that has been designated as a bona fide "Christmas Tree Farm" should be Grade 1A4 — Non-irrigated continuously-cropped farmland.

Cherry Tree Orchards

The land classification for acreage that has been designated as "Cherry Tree Orchard" land should be Grade 1A4 – Non-irrigated continuously-cropped farmland.

Irrigated Land

The following criteria should be met for acreage to be classified as "Irrigated Land:"

1. The land must be irrigated a majority of the time, and
2. The land must have a reliable source of water.

If all criteria are met, the land classification for any land type, including grazing land, located within or outside of an irrigation district, should be irrigated land.

Exclusion of Improvement Value from Land Value Determination

The crop share lease approach to value used by the Committee does not include the use of improvements located on the land. Any value attributed to the farmstead or other structural improvements has been excluded from the land value determinations.

Irrigated Land Rotations (Minimum, Medium, Maximum)

There are three rotations, each indicative of the cash value achieved from the production of generally-accepted irrigated crops grown in a particular area. As shown below, these rotations are generally differentiated by the variety of crops which can be grown in a particular area (i.e., the options a grower has in rotating various crops on his/her irrigated cropland acreage). The number of frost-free days may influence the extent of options available. However, available cropping options are not limited exclusively by frost-free days.

Minimum Rotation: 90 or less frost-free days. Production from this land would be limited to alfalfa hay and small grains. Growers would not have the option to profitably produce any other crops over a sustained period of years.

Medium Rotation: 91 to 110 frost-free days. Lands are placed in this rotation when the grower has the option of producing a greater variety of crops than listed in the minimum rotation. Growers should be able to produce alfalfa hay, alfalfa seed, small grains, edible beans, sunflowers, safflowers, and potatoes.

Maximum Rotation: 110 or more frost-free days. These lands are capable of producing any crop which can typically be grown in Montana. Examples are all crops grown in minimum and medium rotations and, also, corn for silage, corn for grain, and sugar beets.

Climatological data should be utilized to assist appraisers in placing irrigated land into the proper rotation.

Speculative and Investment Lands

The Committee acknowledges that Montana currently classifies for tax purposes all of its lands into four broad categories, namely "Residential," "Commercial," and "Forestry," with everything else being classified as "Agriculture."

The Legislature has further deemed that all lands classified as "Agriculture" are to be taxed based upon the value of their agricultural productivity.

The Committee is aware of large portions of lands now in the "Agriculture" category that are being bought and sold for reasons other than for their agricultural productivity. These speculative and investment lands are largely owned because of their unique recreational, wilderness, scenic and environmental qualities, and their valuation is more akin to fine art and jewelry, rather than farms and ranches.

The Committee recommends that the legislature further study the proper taxation of speculative and investment lands, and consider removing these lands from the "Agriculture" categories.

Phase In

The Committee recommends that these adjustments to taxable values be phased into effect. On January 1, 1994, 50% of the recommended change in taxable value would occur. At the beginning of the subsequent reappraisal cycle, which is January 1, 1997, the remaining 50% adjustment would go into effect. For example, the current taxable value of one acre of Class 4, Grade 1A5 land is $18.41 and the recommended taxable value is $10.12. On January 1, 1994, the taxable value would be $14.26 per acre and then become $10.12 per acre on January 1, 1997.

Water Costs

The Committee encourages further discussion and analysis of the appropriate water costs to deduct in determining assessed value prior to effectuating the last 50% taxable value adjustment.

15-7-201. (Temporary -- applicable to 1986 land valuation schedules) Legislative intent -- value of agricultural property. (1) Since the market value of many agricultural properties is based upon speculative purchases which do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shall be classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.

(2) Agricultural land shall be classified according to its use, which classifications shall include but not be limited to irrigated use, nonirrigated use, and grazing use. Within each class, land shall be assessed at a value that is fairly based on its ability to produce, taking into consideration the classification system in existence on January 1, 1986, provided, however, the department may consolidate tillable irrigated land classes. With relation to irrigated land, water costs shall be taken into consideration, except at no time may the resulting value of irrigated land be reduced below the value such land would have if it were not irrigated.

(3) Capital costs, such as improved water distribution, fertilizer, and land shaping that increase productivity, shall not be used in determining assessed values.

15-7-201. * (Applicable to 1993 land valuation schedules) Legislative intent -- value of agricultural property. (1) Since the market value of many agricultural properties is based upon speculative purchases which do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shall be classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.

(2) Agricultural land shall be classified according to its use, which classifications shall include but not be limited to irrigated use, nonirrigated use, and grazing use.

(3) Within each class, land shall be assessed at a value that is fairly based on its productive capacity.

(4) In computing the agricultural land valuation schedules to take effect on the date that the revaluation cycle commencing January 2, 1986, takes effect pursuant to 15-7-111 and, thereafter, on the effective date when each revaluation cycle takes effect, the department of revenue shall determine the productive capacity value of all agricultural lands using the formula $V = I/R$ where:

(a) V is the per-acre productive capacity value of agricultural land in each land use and production category;

(b) I is the per-acre net income of agricultural land in each land use and production category and is to be determined by the department using the formula $I = (P - C) U$ where:

(i) I is the per-acre net income;

(ii) P is the per-unit price of the commodity being produced;

(iii) C is the per-unit production cost of the commodity being produced; and

(iv) U is the yield in units per acre; and

(c) R is the capitalization rate to be determined by the department as provided in subsection (9).

(5) Net income shall be:

(a) calculated for each year of a base period, which is the most recent 3-year period for which data are available, prior to a revaluation of property as provided in 15-7-111; and

(b) based on commodity price and production cost data for the base period from such sources as may be considered appropriate by the department, which sources shall include Montana state university.

(6) To the degree available, the department shall compile:

(a) commodity price data reflecting the average prices received per unit of measure by Montana farmers and ranchers. Such data may be obtained from all geographical areas of the state. Commodity prices may include wheat, barley, alfalfa hay, grass hay, corn for grain, corn for silage, sugar beets, dry beans, potatoes, cattle, and sheep. Government payments may be considered. Typical rental arrangements may be considered.

(b) production cost data reflecting average costs per unit of measure paid by Montana farmers and ranchers. Such data may be obtained from all geographical areas of the state. Such production costs may include costs relating to irrigation, fertilization, fuel, seed, weed control, hired labor, management, insurance, repairs and maintenance, and miscellaneous items. Variations in specific production cost data, when affected by different levels of production, and typical rental arrangements may be considered.

(7) The department shall appoint an advisory committee of persons knowledgeable in agriculture and agricultural economics to review the data prepared by Montana state university and advise the department on the implementation of subsections (2) through (6). The advisory committee shall include one member of the Montana state university staff.

(8) Net income shall be determined separately for lands in irrigated use, nonirrigated use, and grazing use and shall be calculated for each use and production level according to the provisions of subsections (4) through (7).

(9) The capitalization rate shall be calculated for each year of the base period and is the annual average interest rate on agricultural loans as reported by the federal land bank association of Spokane, Washington, plus the effective tax rate in Montana.

(10) The effective tax rate shall be calculated by the department for each year of the base period by dividing the total estimated tax due on agricultural land in the state by the total productive capacity value of agricultural land in the state.

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* The July, 1992, Special Session of the Montana Legislature enacted House Bill 52 which makes this section applicable in 1994.

Appendix A

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Appendix B

The productive value of land is the discounted present value of the expected stream of annual returns from the land. This relationship can be expressed as:

(1)
$$V = \sum_{t=1}^{n} \frac{R_t}{(1+r)^t} = \frac{R_1}{(1+r)} + \frac{R_2}{(1+r)^2} + \ldots + \frac{R_n}{(1+r)^n}$$

where:
V = productive value of land,
R = expected annual real returns from the land,
r = interest rate (no inflation),
t = year in which the return is received,
n = number of years returns are received.

If there is general inflation, two changes must be made to the valuation formula specified by Equation (1). First, the rise in annual returns due to inflation is included. Second, the interest rate will include an inflation component to reimburse lenders so that returns received in the future are now worth less in terms of their purchasing power. Because the interest rate includes an inflation component, it is measured in nominal terms. Irving Fisher has shown that the nominal interest rate (i) in this case is equal to $(1 + r)(1 + g) - 1$, where g is the rate of inflation.

Making both of these changes for general price inflation, the valuation formula becomes:

$$V = \sum_{t=1}^{n} \frac{R_t(1+g)^t}{(1+i)^t} = \frac{R_1(1+g)}{(1+i)} + \frac{R_2(1+g)^2}{(1+i)^2} + \ldots + \frac{R_n(1+g)^n}{(1+i)^n}$$

where: i = nominal interest rate

Substituting for $i = (1 + r)(1 + g) - 1$,

$$V = \sum_{t=1}^{n} \frac{R_t(1+g)^t}{\left[(1+r)(1+g)\right]^k} = \frac{R_1(1+g)}{(1+r)(1+g)} + \frac{R_2(1+g)^2}{\left[(1+r)(1+g)\right]^2} + \ldots + \frac{R_n(1+g)^n}{\left[(1+r)(1+g)\right]^n}$$

Since the expression $(1 + g)^t$ appears in the numerators and denominators, the expressions cancel and the equation can be further reduced to:

(2)
$$V = \sum_{t=1}^{n} \frac{R_t}{(1+r)^t} = \frac{R_1}{(1+r)} + \frac{R_2}{(1+r)^2} + \ldots + \frac{R_n}{(1+r)^n}$$

Note that Equation (2) is identical to Equation (1). The land valuation formula, therefore, does not change as a result of general price inflation. The market value of land is still the discounted present value of the expected stream of annual returns from the land where the annual returns from the land and the interest rate are measured in real terms.

When the returns to land are constant into perpetuity, the valuation formula can be simplified further. If R is the same in each year into perpetuity, Equation (1) can be written as:

$$V = R \sum_{t=1}^{n} \frac{1}{(1+r)^t} = R \left[\frac{1}{(1+r)} + \frac{1}{(1+r)^2} + \ldots + \frac{1}{(1+r)^n} \right] \tag{3}$$

Multiplying by $\frac{1}{(1+r)}$,

$$\frac{V}{(1+r)} = R \left[\frac{1}{(1+r)^2} + \frac{1}{(1+r)^3} + \ldots + \frac{1}{(1+r)^{n+1}} \right] \tag{4}$$

Subtracting (4) from (3),

$$\frac{Vr}{(1+r)} = R \left[\frac{1}{(1+r)} - \frac{1}{(1+r)^{n+1}} \right]$$

Multiplying both sides by (1 + r) ,

$$Vr = R \left[1 - \frac{1}{(1+r)^n} \right]$$

Dividing through by r,

$$V = \frac{R}{r} \left[1 - \frac{1}{(1+r)^n} \right]$$

When land yields returns into perpetuity, n is very large and $V = \frac{R}{r}$.

In other words, the productive value of a parcel of land with a constant stream of annual returns into perpetuity is equal to the annual return divided by the interest rate. This is the capitalized value of earnings approach to valuing land. It assumes the returns to land and the interest rate are constant into perpetuity and measured in real terms.

APPENDIX TABLE 1. *CLASS 1*: MAXIMUM ROTATION IRRIGATED LANDS (Recommended)

Grade	Water Cost	Yield	Current Assessed Value	Current Taxable Value	Adjusted* Assessed Value**	Adjusted* Taxable Value	Relative Change in Taxable Value
1A	2.50	4.70	100.40	30.12	980.25	37.84	0.26
1A	7.50	4.70	67.07	20.12	902.13	34.82	0.73
1A	12.50	4.70	63.74	19.12	824.00	31.81	0.66
1A	17.50	4.70	63.74	19.12	745.88	28.79	0.51
1A	22.50	4.70	63.74	19.12	667.75	25.78	0.35
1A	27.50	4.70	63.74	19.12	589.63	22.76	0.19
1A	32.50	4.70	63.74	19.12	511.50	19.74	0.03
1B	2.50	4.20	86.12	25.84	871.81	33.65	0.30
1B	7.50	4.20	57.52	17.26	793.69	30.64	0.78
1B	12.50	4.20	54.68	16.40	715.56	27.62	0.68
1B	17.50	4.20	54.68	16.40	637.44	24.61	0.50
1B	22.50	4.20	54.68	16.40	559.31	21.59	0.32
1B	27.50	4.20	54.68	16.40	481.19	18.57	0.13
1B	32.50	4.20	54.68	16.40	403.06	15.56	-0.05
2	2.50	3.70	71.58	21.47	763.38	29.47	0.37
2	7.50	3.70	47.82	14.35	685.25	26.45	0.84
2	12.50	3.70	45.44	13.63	607.13	23.44	0.72
2	17.50	3.70	45.44	13.63	529.00	20.42	0.50
2	22.50	3.70	45.44	13.63	450.88	17.40	0.28
2	27.50	3.70	45.44	13.63	372.75	14.39	0.06
2	32.50	3.70	45.44	13.63	294.63	11.37	-0.17
3	2.50	3.20	57.93	17.38	654.94	25.28	0.45
3	7.50	3.20	38.70	11.61	576.81	22.26	0.92
3	12.50	3.20	36.70	11.01	498.69	19.25	0.75
3	17.50	3.20	36.70	11.01	420.56	16.23	0.47
3	22.50	3.20	36.70	11.01	342.44	13.22	0.20
3	27.50	3.20	36.70	11.01	264.31	10.20	-0.07
3	32.50	3.20	36.70	11.01	186.19	7.19	-0.35
4	2.50	2.70	44.13	13.24	546.50	21.09	0.59
4	7.50	2.70	29.48	8.84	468.38	18.08	1.04
4	12.50	2.70	28.08	8.42	390.25	15.06	0.79
4	17.50	2.70	28.08	8.42	312.13	12.05	0.43
4	22.50	2.70	28.08	8.42	234.00	9.03	0.07
4	27.50	2.70	28.08	8.42	155.88	6.02	-0.29
4	32.50	2.70	28.08	8.42	77.75	3.00	-0.64
5	2.50	2.20	29.03	8.71	438.06	16.91	0.94
5	7.50	2.20	19.38	5.81	359.94	13.89	1.39
5	12.50	2.20	18.43	5.53	281.81	10.88	0.97
5	17.50	2.20	18.43	5.53	203.69	7.86	0.42
5	22.50	2.20	18.43	5.53	125.56	4.85	-0.12
5	27.50	2.20	18.43	5.53	47.44	1.83	-0.67
5	32.50	2.20	18.43	5.53	5.00	0.19	-0.97
6	2.50	1.70	18.07	5.42	329.63	12.72	1.35
6	7.50	1.70	12.07	3.62	251.50	9.71	1.68
6	12.50	1.70	11.47	3.44	173.38	6.69	0.94
6	17.50	1.70	11.47	3.44	95.25	3.68	0.07
6	22.50	1.70	11.47	3.44	17.13	0.66	-0.81
6	27.50	1.70	11.47	3.44	5.00	0.19	-0.94
6	32.50	1.70	11.47	3.44	5.00	0.19	-0.94
7	2.50	1.20	10.34	3.10	221.19	8.54	1.75
7	7.50	1.20	6.89	2.07	143.06	5.52	1.67
7	12.50	1.20	6.57	1.97	64.94	2.51	0.27
7	17.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	22.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	27.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	32.50	1.20	6.57	1.97	5.00	0.19	-0.90
8	2.50	0.50	4.14	1.24	69.38	2.68	1.16
8	7.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	12.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	17.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	22.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	27.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	32.50	0.50	3.06	0.92	5.00	0.19	-0.79

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* The adjusted value is based on a seven-year (1983-1989) Olympic average price of hay equal to 69.40 x .80 and a capitalization rate of 6.4%. Yield is tons of hay per acre.

** Interpolated from current schedules.

APPENDIX TABLE 2. *CLASS 2*: MEDIUM ROTATION IRRIGATED LANDS (Recommended)

Grade	Water Cost	Yield	Current Assessed Value	Current Taxable Value	Adjusted* Assessed Value**	Adjusted* Taxable Value	Relative Change in Taxable Value
1A	2.50	4.70	87.26	26.18	882.23	34.05	0.30
1A	7.50	4.70	53.94	16.18	811.91	31.34	0.94
1A	12.50	4.70	50.60	15.18	741.60	28.63	0.89
1A	17.50	4.70	50.60	15.18	671.29	25.91	0.71
1A	22.50	4.70	50.60	15.18	600.98	23.20	0.53
1A	27.50	4.70	50.60	15.18	530.66	20.48	0.35
1A	32.50	4.70	50.60	15.18	460.35	17.77	0.17
1B	2.50	4.20	73.32	22.00	784.63	30.29	0.38
1B	7.50	4.20	45.32	13.60	714.32	27.57	1.03
1B	12.50	4.20	42.52	12.76	644.01	24.86	0.95
1B	17.50	4.20	42.52	12.76	573.69	22.14	0.74
1B	22.50	4.20	42.52	12.76	503.38	19.43	0.52
1B	27.50	4.20	42.52	12.76	433.07	16.72	0.31
1B	32.50	4.20	42.52	12.76	362.76	14.00	0.10
2	2.50	3.70	60.35	18.11	687.04	26.52	0.46
2	7.50	3.70	37.30	11.19	616.73	23.81	1.13
2	12.50	3.70	35.00	10.50	546.41	21.09	1.01
2	17.50	3.70	35.00	10.50	476.10	18.38	0.75
2	22.50	3.70	35.00	10.50	405.79	15.66	0.49
2	27.50	3.70	35.00	10.50	335.48	12.95	0.23
2	32.50	3.70	35.00	10.50	265.16	10.24	-0.03
3	2.50	3.20	48.36	14.51	589.44	22.75	0.57
3	7.50	3.20	29.89	8.97	519.13	20.04	1.23
3	12.50	3.20	28.04	8.41	448.82	17.32	1.06
3	17.50	3.20	28.04	8.41	378.51	14.61	0.74
3	22.50	3.20	28.04	8.41	308.19	11.90	0.41
3	27.50	3.20	28.04	8.41	237.88	9.18	0.09
3	32.50	3.20	28.04	8.41	167.57	6.47	-0.23
4	2.50	2.70	37.33	11.20	491.85	18.99	0.70
4	7.50	2.70	23.07	6.92	421.54	16.27	1.35
4	12.50	2.70	21.65	6.49	351.23	13.56	1.09
4	17.50	2.70	21.65	6.49	280.91	10.84	0.67
4	22.50	2.70	21.65	6.49	210.60	8.13	0.25
4	27.50	2.70	21.65	6.49	140.29	5.42	-0.17
4	32.50	2.70	21.65	6.49	69.98	2.70	-0.58
5	2.50	2.20	27.26	8.18	394.26	15.22	0.86
5	7.50	2.20	16.85	5.06	323.94	12.50	1.47
5	12.50	2.20	15.81	4.74	253.63	9.79	1.06
5	17.50	2.20	15.81	4.74	183.32	7.08	0.49
5	22.50	2.20	15.81	4.74	113.01	4.36	-0.08
5	27.50	2.20	15.81	4.74	42.69	1.65	-0.65
5	32.50	2.20	15.81	4.74	5.00	0.19	-0.96
6	2.50	1.70	18.07	5.42	296.66	11.45	1.11
6	7.50	1.70	12.07	3.62	226.35	8.74	1.41
6	12.50	1.70	11.47	3.44	156.04	6.02	0.75
6	17.50	1.70	11.47	3.44	85.73	3.31	-0.04
6	22.50	1.70	11.47	3.44	15.41	0.59	-0.83
6	27.50	1.70	11.47	3.44	5.00	0.19	-0.94
6	32.50	1.70	11.47	3.44	5.00	0.19	-0.94
7	2.50	1.20	10.35	3.10	199.07	7.68	1.47
7	7.50	1.20	6.90	2.07	128.76	4.97	1.40
7	12.50	1.20	6.57	1.97	58.44	2.26	0.14
7	17.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	22.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	27.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	32.50	1.20	6.57	1.97	5.00	0.19	-0.90
8	2.50	0.50	4.14	1.24	62.44	2.41	0.94
8	7.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	12.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	17.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	22.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	27.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	32.50	0.50	3.06	0.92	5.00	0.19	-0.79

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* The adjusted value is based on a seven-year (1983-1989) Olympic average price of hay equal to 69.40 x .80 and a capitalization rate of 6.4%. Yield is tons of hay per acre.

** Interpolated from current schedules.

APPENDIX TABLE 3. *CLASS 3*: MINIMUM ROTATION IRRIGATED LANDS (Recommended)

			Current		Adjusted*		Relative Change in Taxable Value
Grade	Water Cost	Yield	Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A	2.50	4.70	76.26	22.88	784.20	30.27	0.32
1A	7.50	4.70	42.94	12.88	721.70	27.86	1.16
1A	12.50	4.70	39.60	11.88	659.20	25.45	1.14
1A	17.50	4.70	39.60	11.88	596.70	23.03	0.94
1A	22.50	4.70	39.60	11.88	534.20	20.62	0.74
1A	27.50	4.70	39.60	11.88	471.70	18.21	0.53
1A	32.50	4.70	39.60	11.88	409.20	15.80	0.33
1B	2.50	4.20	65.28	19.58	697.45	26.92	0.37
1B	7.50	4.20	36.75	11.03	634.95	24.51	1.22
1B	12.50	4.20	33.90	10.17	572.45	22.10	1.17
1B	17.50	4.20	33.90	10.17	509.95	19.68	0.94
1B	22.50	4.20	33.90	10.17	447.45	17.27	0.70
1B	27.50	4.20	33.90	10.17	384.95	14.86	0.46
1B	32.50	4.20	33.90	10.17	322.45	12.45	0.22
2	2.50	3.70	54.82	16.45	610.70	23.57	0.43
2	7.50	3.70	30.87	9.26	548.20	21.16	1.28
2	12.50	3.70	28.47	8.54	485.70	18.75	1.20
2	17.50	3.70	28.47	8.54	423.20	16.34	0.91
2	22.50	3.70	28.47	8.54	360.70	13.92	0.63
2	27.50	3.70	28.47	8.54	298.20	11.51	0.35
2	32.50	3.70	28.47	8.54	235.70	9.10	0.07
3	2.50	3.20	44.90	13.47	523.95	20.22	0.50
3	7.50	3.20	25.28	7.58	461.45	17.81	1.35
3	12.50	3.20	23.32	7.00	398.95	15.40	1.20
3	17.50	3.20	23.32	7.00	336.45	12.99	0.86
3	22.50	3.20	23.32	7.00	273.95	10.57	0.51
3	27.50	3.20	23.32	7.00	211.45	8.16	0.17
3	32.50	3.20	23.32	7.00	148.95	5.75	-0.18
4	2.50	2.70	35.50	10.65	437.20	16.88	0.58
4	7.50	2.70	20.00	6.00	374.70	14.46	1.41
4	12.50	2.70	18.43	5.53	312.20	12.05	1.18
4	17.50	2.70	18.43	5.53	249.70	9.64	0.74
4	22.50	2.70	18.43	5.53	187.20	7.23	0.31
4	27.50	2.70	18.43	5.53	124.70	4.81	-0.13
4	32.50	2.70	18.43	5.53	62.20	2.40	-0.57
5	2.50	2.20	26.62	7.99	350.45	13.53	0.69
5	7.50	2.20	14.99	4.50	287.95	11.11	1.47
5	12.50	2.20	13.82	4.15	225.45	8.70	1.10
5	17.50	2.20	13.82	4.15	162.95	6.29	0.52
5	22.50	2.20	13.82	4.15	100.45	3.88	-0.06
5	27.50	2.20	13.82	4.15	37.95	1.46	-0.65
5	32.50	2.20	13.82	4.15	5.00	0.19	-0.95
6	2.50	1.70	18.07	5.42	263.70	10.18	0.88
6	7.50	1.70	12.07	3.62	201.20	7.77	1.14
6	12.50	1.70	11.47	3.44	138.70	5.35	0.56
6	17.50	1.70	11.47	3.44	76.20	2.94	-0.15
6	22.50	1.70	11.47	3.44	13.70	0.53	-0.85
6	27.50	1.70	11.47	3.44	5.00	0.19	-0.94
6	32.50	1.70	11.47	3.44	5.00	0.19	-0.94
7	2.50	1.20	10.34	3.10	176.95	6.83	1.20
7	7.50	1.20	6.91	2.07	114.45	4.42	1.13
7	12.50	1.20	6.57	1.97	51.95	2.01	0.02
7	17.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	22.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	27.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	32.50	1.20	6.57	1.97	5.00	0.19	-0.90
8	2.50	0.50	4.42	1.33	55.50	2.14	0.62
8	7.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	12.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	17.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	22.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	27.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	32.50	0.50	3.06	0.92	5.00	0.19	-0.79

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* The adjusted value is based on a seven-year (1983-1989) Olympic average price of hay equal to 69.40 x .80 and a capitalization rate of 6.4%. Yield is tons of hay per acre.

** Interpolated from current schedules.

APPENDIX TABLE 4. *CLASS 4*: NON-IRRIGATED SUMMER FALLOW FARMLAND (Recommended)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A8	0.00	40.50	81.08	24.32	307.71	11.88	-0.51
1A7	0.00	38.50	74.51	22.35	292.51	11.29	-0.49
1A6	0.00	36.50	67.94	20.38	277.31	10.70	-0.47
1A5	0.00	34.50	61.37	18.41	262.12	10.12	-0.45
1A4	0.00	32.50	54.80	16.44	246.92	9.53	-0.42
1A3	0.00	30.50	48.60	14.58	231.73	8.94	-0.39
1A2	0.00	28.50	42.79	12.84	216.53	8.36	-0.35
1A1	0.00	26.50	37.31	11.19	201.34	7.77	-0.31
1A	0.00	24.50	32.22	9.67	186.14	7.19	-0.26
1B	0.00	22.50	27.50	8.25	170.95	6.60	-0.20
2A	0.00	20.50	23.15	6.94	155.75	6.01	-0.13
2B	0.00	18.50	19.17	5.75	140.56	5.43	-0.06
2C	0.00	16.50	15.56	4.67	125.36	4.84	0.04
3A	0.00	14.50	12.31	3.69	110.17	4.25	0.15
3B	0.00	12.50	9.44	2.83	94.97	3.67	0.29
4A	0.00	10.50	6.94	2.08	79.78	3.08	0.48
4B	0.00	8.50	4.81	1.44	64.58	2.49	0.73
5	0.00	4.00	3.06	0.92	30.39	1.17	0.28

* The adjusted value is based on a seven-year (1983-1989) Olympic average price of wheat equal to $3.89 and a capitalization rate of 6.4%. Yield is bushels of wheat per acre.

** Interpolated from current schedules.

APPENDIX TABLE 5. *CLASS 5*: GRAZING LAND (Recommended)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A2	0.00	2.00	71.69	21.51	535.55	20.67	-0.04
1A1	0.00	4.00	44.18	13.25	267.77	10.34	-0.22
1AP	0.00	5.50	31.27	9.38	194.74	7.52	-0.20
1A	0.00	8.00	20.51	6.15	133.89	5.17	-0.16
1B	0.00	14.50	10.53	3.16	73.87	2.85	-0.10
2A	0.00	20.00	7.17	2.15	53.55	2.07	-0.04
2B	0.00	24.50	5.42	1.63	43.72	1.69	0.04
3	0.00	32.50	3.72	1.12	32.96	1.27	0.14
4	0.00	46.50	2.52	0.76	23.03	0.89	0.18
5	0.00	77.50	1.47	0.44	13.82	0.53	0.21
6	0.00	125.00	0.82	0.25	8.57	0.33	0.34

* The adjusted value is based on a seven-year (1983-1989) Olympic average of grazing fees equal to $9.14 and a capitalization rate of 6.4%. Yield is acres per animal unit month.

** Interpolated from current schedules.

APPENDIX TABLE 6. *CLASS 6*: CONTINUOUSLY-CROPPED HAYLAND (Recommended)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1	0.00	3.00	67.60	20.28	650.63	25.11	0.24
2	0.00	2.70	53.03	15.91	585.56	22.60	0.42
3	0.00	2.20	41.38	12.41	477.13	18.42	0.48
4	0.00	1.70	29.43	8.83	368.69	14.23	0.61
5	0.00	1.20	19.38	5.81	260.25	10.05	0.73
6	0.00	0.70	10.05	3.02	151.81	5.86	0.94
7	0.00	0.25	5.54	1.66	54.22	2.09	0.26

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* The adjusted value is based on a seven-year (1983-1989) Olympic average price of hay equal to 69.40 x .80 and a capitalization rate of 6.4%. Yield is tons of hay per acre.

** Interpolated from current schedules.

APPENDIX TABLE 7. *CLASS 7*: NON-IRRIGATED CONTINUOUSLY-CROPPED FARMLAND (Recommended)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A4	0.00	44.50	125.71	37.71	676.19	26.10	-0.31
1A3	0.00	42.50	116.94	35.08	645.80	24.93	-0.29
1A2	0.00	40.50	108.17	32.45	615.41	23.75	-0.27
1A1	0.00	38.50	99.40	29.82	585.02	22.58	-0.24
10	0.00	36.50	90.63	27.19	554.63	21.41	-0.21
1	0.00	34.50	81.86	24.56	524.24	20.24	-0.18
2	0.00	32.50	73.09	21.93	493.85	19.06	-0.13
3	0.00	30.50	64.81	19.44	463.46	17.89	-0.08
4	0.00	28.50	57.05	17.11	433.07	16.72	-0.02
5	0.00	26.50	49.75	14.92	402.68	15.54	0.04
6	0.00	24.50	42.96	12.89	372.29	14.37	0.12
7	0.00	22.50	36.67	11.00	341.89	13.20	0.20
8	0.00	20.50	30.87	9.26	311.50	12.02	0.30
9	0.00	18.50	25.56	7.67	281.11	10.85	0.42
10	0.00	16.60	20.75	6.22	252.24	9.74	0.56
11	0.00	14.50	16.41	4.92	220.33	8.50	0.73
12	0.00	12.50	12.59	3.78	189.94	7.33	0.94
13	0.00	10.50	9.25	2.77	159.55	6.16	1.22
14	0.00	5.00	6.41	1.92	75.98	2.93	0.53

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* The adjusted value is based on a seven-year (1983-1989) Olympic average price of wheat equal to $3.89 and a capitalization rate of 6.4%. Yield is bushels of wheat per acre.

** Interpolated from current schedules.

APPENDIX TABLE 8. *CLASS I*: MAXIMUM ROTATION IRRIGATED LANDS (Mandated)

Grade	Water Cost	Yield	Current Assessed Value	Current Taxable Value	Adjusted* Assessed Value**	Adjusted* Taxable Value	Relative Change in Taxable Value
1A	2.50	4.70	100.40	30.12	417.69	125.31	3.16
1A	7.50	4.70	67.07	20.12	381.37	114.41	4.69
1A	12.50	4.70	63.74	19.12	345.05	103.51	4.41
1A	17.50	4.70	63.74	19.12	308.72	92.62	3.84
1A	22.50	4.70	63.74	19.12	272.40	81.72	3.27
1A	27.50	4.70	63.74	19.12	236.07	70.82	2.70
1A	32.50	4.70	63.74	19.12	199.75	59.92	2.13
1B	2.50	4.20	86.12	25.84	371.33	111.40	3.31
1B	7.50	4.20	57.52	17.26	335.00	100.50	4.82
1B	12.50	4.20	54.68	16.40	298.68	89.60	4.46
1B	17.50	4.20	54.68	16.40	262.35	78.71	3.80
1B	22.50	4.20	54.68	16.40	226.03	67.81	3.13
1B	27.50	4.20	54.68	16.40	189.71	56.91	2.47
1B	32.50	4.20	54.68	16.40	153.38	46.01	1.81
2	2.50	3.70	71.58	21.47	324.96	97.49	3.54
2	7.50	3.70	47.82	14.35	288.63	86.59	5.04
2	12.50	3.70	45.44	13.63	252.31	75.69	4.55
2	17.50	3.70	45.44	13.63	215.99	64.80	3.75
2	22.50	3.70	45.44	13.63	179.66	53.90	2.95
2	27.50	3.70	45.44	13.63	143.34	43.00	2.15
2	32.50	3.70	45.44	13.63	107.01	32.10	1.36
3	2.50	3.20	57.93	17.38	278.59	83.58	3.81
3	7.50	3.20	38.70	11.61	242.27	72.68	5.26
3	12.50	3.20	36.70	11.01	205.94	61.78	4.61
3	17.50	3.20	36.70	11.01	169.62	50.89	3.62
3	22.50	3.20	36.70	11.01	133.29	39.99	2.63
3	27.50	3.20	36.70	11.01	96.97	29.09	1.64
3	32.50	3.20	36.70	11.01	60.65	18.19	0.65
4	2.50	2.70	44.13	13.24	232.22	69.67	4.26
4	7.50	2.70	29.48	8.84	195.90	58.77	5.65
4	12.50	2.70	28.08	8.42	159.58	47.87	4.68
4	17.50	2.70	28.08	8.42	123.25	36.98	3.39
4	22.50	2.70	28.08	8.42	86.93	26.08	2.10
4	27.50	2.70	28.08	8.42	50.60	15.18	0.80
4	32.50	2.70	28.08	8.42	14.28	4.28	-0.49
5	2.50	2.20	29.03	8.71	185.86	55.76	5.40
5	7.50	2.20	19.38	5.81	149.53	44.86	6.72
5	12.50	2.20	18.43	5.53	113.21	33.96	5.14
5	17.50	2.20	18.43	5.53	76.88	23.07	3.17
5	22.50	2.20	18.43	5.53	40.56	12.17	1.20
5	27.50	2.20	18.43	5.53	5.00	1.50	-0.73
5	32.50	2.20	18.43	5.53	5.00	1.50	-0.73
6	2.50	1.70	18.07	5.42	139.49	41.85	6.72
6	7.50	1.70	12.07	3.62	103.16	30.95	7.55
6	12.50	1.70	11.47	3.44	66.84	20.05	4.83
6	17.50	1.70	11.47	3.44	30.52	9.15	1.66
6	22.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	27.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	32.50	1.70	11.47	3.44	5.00	1.50	-0.56
7	2.50	1.20	10.34	3.10	93.12	27.94	8.01
7	7.50	1.20	6.89	2.07	56.80	17.04	7.24
7	12.50	1.20	6.57	1.97	20.47	6.14	2.12
7	17.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	22.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	27.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	32.50	1.20	6.57	1.97	5.00	1.50	-0.24
8	2.50	0.50	4.14	1.24	28.21	8.46	5.81
8	7.50	0.50	3.06	0.92	5.00	1.50	0.63
8	12.50	0.50	3.06	0.92	5.00	1.50	0.63
8	17.50	0.50	3.06	0.92	5.00	1.50	0.63
8	22.50	0.50	3.06	0.92	5.00	1.50	0.63
8	27.50	0.50	3.06	0.92	5.00	1.50	0.63
8	32.50	0.50	3.06	0.92	5.00	1.50	0.63

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* The adjusted value is based on a three-year (1987-1989) average price of hay equal to 63.83 x .80 and a capitalization rate of 13.765%. Yield is tons of hay per acre.

** Interpolated from current schedules.

APPENDIX TABLE 9. *CLASS 2*: MEDIUM ROTATION IRRIGATED LANDS (Mandated)

			Current		Adjusted*		
Grade	Water Cost	Yield	Assessed Value	Taxable Value	Assessed Value**	Taxable Value	Relative Change in Taxable Value
1A	2.50	4.70	87.26	26.18	375.92	112.78	3.31
1A	7.50	4.70	53.94	16.18	343.23	102.97	5.36
1A	12.50	4.70	50.60	15.18	310.54	93.16	5.14
1A	17.50	4.70	50.60	15.18	277.85	83.35	4.49
1A	22.50	4.70	50.60	15.18	245.16	73.55	3.85
1A	27.50	4.70	50.60	15.18	212.47	63.74	3.20
1A	32.50	4.70	50.60	15.18	179.77	53.93	2.55
1B	2.50	4.20	73.32	22.00	334.19	100.26	3.56
1B	7.50	4.20	45.32	13.60	301.50	90.45	5.65
1B	12.50	4.20	42.52	12.76	268.81	80.64	5.32
1B	17.50	4.20	42.52	12.76	236.12	70.84	4.55
1B	22.50	4.20	42.52	12.76	203.43	61.03	3.78
1B	27.50	4.20	42.52	12.76	170.74	51.22	3.02
1B	32.50	4.20	42.52	12.76	138.04	41.41	2.25
2	2.50	3.70	60.35	18.11	292.46	87.74	3.85
2	7.50	3.70	37.30	11.19	259.77	77.93	5.96
2	12.50	3.70	35.00	10.50	227.08	68.12	5.49
2	17.50	3.70	35.00	10.50	194.39	58.32	4.55
2	22.50	3.70	35.00	10.50	161.70	48.51	3.62
2	27.50	3.70	35.00	10.50	129.00	38.70	2.69
2	32.50	3.70	35.00	10.50	96.31	28.89	1.75
3	2.50	3.20	48.36	14.51	250.73	75.22	4.18
3	7.50	3.20	29.89	8.97	218.04	65.41	6.29
3	12.50	3.20	28.04	8.41	185.35	55.60	5.61
3	17.50	3.20	28.04	8.41	152.66	45.80	4.44
3	22.50	3.20	28.04	8.41	119.97	35.99	3.28
3	27.50	3.20	28.04	8.41	87.27	26.18	2.11
3	32.50	3.20	28.04	8.41	54.58	16.37	0.95
4	2.50	2.70	37.33	11.20	209.00	62.70	4.60
4	7.50	2.70	23.07	6.92	176.31	52.89	6.64
4	12.50	2.70	21.65	6.49	143.62	43.09	5.63
4	17.50	2.70	21.65	6.49	110.93	33.28	4.12
4	22.50	2.70	21.65	6.49	78.23	23.47	2.61
4	27.50	2.70	21.65	6.49	45.54	13.66	1.10
4	32.50	2.70	21.65	6.49	12.85	3.86	-0.41
5	2.50	2.20	27.26	8.18	167.27	50.18	5.14
5	7.50	2.20	16.85	5.06	134.58	40.37	6.99
5	12.50	2.20	15.81	4.74	101.89	30.57	5.44
5	17.50	2.20	15.81	4.74	69.20	20.76	3.38
5	22.50	2.20	15.81	4.74	36.50	10.95	1.31
5	27.50	2.20	15.81	4.74	5.00	1.50	-0.68
5	32.50	2.20	15.81	4.74	5.00	1.50	-0.68
6	2.50	1.70	18.07	5.42	125.54	37.66	5.95
6	7.50	1.70	12.07	3.62	92.85	27.85	6.69
6	12.50	1.70	11.47	3.44	60.16	18.05	4.24
6	17.50	1.70	11.47	3.44	27.46	8.24	1.39
6	22.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	27.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	32.50	1.70	11.47	3.44	5.00	1.50	-0.56
7	2.50	1.20	10.35	3.10	83.81	25.14	7.10
7	7.50	1.20	6.90	2.07	51.12	15.33	6.41
7	12.50	1.20	6.57	1.97	18.42	5.53	1.80
7	17.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	22.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	27.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	32.50	1.20	6.57	1.97	5.00	1.50	-0.24
8	2.50	0.50	4.14	1.24	25.39	7.62	5.13
8	7.50	0.50	3.06	0.92	5.00	1.50	0.63
8	12.50	0.50	3.06	0.92	5.00	1.50	0.63
8	17.50	0.50	3.06	0.92	5.00	1.50	0.63
8	22.50	0.50	3.06	0.92	5.00	1.50	0.63
8	27.50	0.50	3.06	0.92	5.00	1.50	0.63
8	32.50	0.50	3.06	0.92	5.00	1.50	0.63

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* The adjusted value is based on a three-year (1987-1989) average price of hay equal to 63.83 x .80 and a capitalization rate of 13.765%. Yield is tons of hay per acre.

** Interpolated from current schedules.

APPENDIX TABLE 10. *CLASS 3*: MINIMUM ROTATION IRRIGATED LANDS (Mandated)

			Current		Adjusted*		Relative Change in Taxable Value
Grade	Water Cost	Yield	Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A	2.50	4.70	76.26	22.88	334.15	100.25	3.38
1A	7.50	4.70	42.94	12.88	305.10	91.53	6.11
1A	12.50	4.70	39.60	11.88	276.04	82.81	5.97
1A	17.50	4.70	39.60	11.88	246.98	74.09	5.24
1A	22.50	4.70	39.60	11.88	217.92	65.38	4.50
1A	27.50	4.70	39.60	11.88	188.86	56.66	3.77
1A	32.50	4.70	39.60	11.88	159.80	47.94	3.04
1B	2.50	4.20	65.28	19.58	297.06	89.12	3.55
1B	7.50	4.20	36.75	11.03	268.00	80.40	6.29
1B	12.50	4.20	33.90	10.17	238.94	71.68	6.05
1B	17.50	4.20	33.90	10.17	209.88	62.96	5.19
1B	22.50	4.20	33.90	10.17	180.82	54.25	4.33
1B	27.50	4.20	33.90	10.17	151.76	45.53	3.48
1B	32.50	4.20	33.90	10.17	122.71	36.81	2.62
2	2.50	3.70	54.82	16.45	259.97	77.99	3.74
2	7.50	3.70	30.87	9.26	230.91	69.27	6.48
2	12.50	3.70	28.47	8.54	201.85	60.55	6.09
2	17.50	3.70	28.47	8.54	172.79	51.84	5.07
2	22.50	3.70	28.47	8.54	143.73	43.12	4.05
2	27.50	3.70	28.47	8.54	114.67	34.40	3.03
2	32.50	3.70	28.47	8.54	85.61	25.68	2.01
3	2.50	3.20	44.90	13.47	222.87	66.86	3.96
3	7.50	3.20	25.28	7.58	193.81	58.14	6.67
3	12.50	3.20	23.32	7.00	164.75	49.43	6.06
3	17.50	3.20	23.32	7.00	135.69	40.71	4.82
3	22.50	3.20	23.32	7.00	106.64	31.99	3.57
3	27.50	3.20	23.32	7.00	77.58	23.27	2.33
3	32.50	3.20	23.32	7.00	48.52	14.56	1.08
4	2.50	2.70	35.50	10.65	185.78	55.73	4.23
4	7.50	2.70	20.00	6.00	156.72	47.02	6.84
4	12.50	2.70	18.43	5.53	127.66	38.30	5.93
4	17.50	2.70	18.43	5.53	98.60	29.58	4.35
4	22.50	2.70	18.43	5.53	69.54	20.86	2.77
4	27.50	2.70	18.43	5.53	40.48	12.14	1.20
4	32.50	2.70	18.43	5.53	11.42	3.43	-0.38
5	2.50	2.20	26.62	7.99	148.68	44.61	4.59
5	7.50	2.20	14.99	4.50	119.63	35.89	6.98
5	12.50	2.20	13.82	4.15	90.57	27.17	5.55
5	17.50	2.20	13.82	4.15	61.51	18.45	3.45
5	22.50	2.20	13.82	4.15	32.45	9.73	1.35
5	27.50	2.20	13.82	4.15	5.00	1.50	-0.64
5	32.50	2.20	13.82	4.15	5.00	1.50	-0.64
6	2.50	1.70	18.07	5.42	111.59	33.48	5.18
6	7.50	1.70	12.07	3.62	82.53	24.76	5.84
6	12.50	1.70	11.47	3.44	53.47	16.04	3.66
6	17.50	1.70	11.47	3.44	24.41	7.32	1.13
6	22.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	27.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	32.50	1.70	11.47	3.44	5.00	1.50	-0.56
7	2.50	1.20	10.34	3.10	74.50	22.35	6.20
7	7.50	1.20	6.91	2.07	45.44	13.63	5.58
7	12.50	1.20	6.57	1.97	16.38	4.91	1.49
7	17.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	22.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	27.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	32.50	1.20	6.57	1.97	5.00	1.50	-0.24
8	2.50	0.50	4.42	1.33	22.56	6.77	4.11
8	7.50	0.50	3.06	0.92	5.00	1.50	0.63
8	12.50	0.50	3.06	0.92	5.00	1.50	0.63
8	17.50	0.50	3.06	0.92	5.00	1.50	0.63
8	22.50	0.50	3.06	0.92	5.00	1.50	0.63
8	27.50	0.50	3.06	0.92	5.00	1.50	0.63
8	32.50	0.50	3.06	0.92	5.00	1.50	0.63

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* The adjusted value is based on a three-year (1987-1989) average price of hay equal to 63.83 x .80 and a capitalization rate of 13.765%. Yield is tons of hay per acre.

** Interpolated from current schedules.

APPENDIX TABLE 11. *CLASS 4*: NON-IRRIGATED SUMMER FALLOW FARMLAND (Mandated)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A8	0.00	40.50	81.08	24.32	143.43	43.03	0.77
1A7	0.00	38.50	74.51	22.35	136.35	40.91	0.83
1A6	0.00	36.50	67.94	20.38	129.27	38.78	0.90
1A5	0.00	34.50	61.37	18.41	122.18	36.66	0.99
1A4	0.00	32.50	54.80	16.44	115.10	34.53	1.10
1A3	0.00	30.50	48.60	14.58	108.02	32.41	1.22
1A2	0.00	28.50	42.79	12.84	100.94	30.28	1.36
1A1	0.00	26.50	37.31	11.19	93.85	28.16	1.52
1A	0.00	24.50	32.22	9.67	86.77	26.03	1.69
1B	0.00	22.50	27.50	8.25	79.69	23.91	1.90
2A	0.00	20.50	23.15	6.94	72.60	21.78	2.14
2B	0.00	18.50	19.17	5.75	65.52	19.66	2.42
2C	0.00	16.50	15.56	4.67	58.44	17.53	2.76
3A	0.00	14.50	12.31	3.69	51.35	15.41	3.17
3B	0.00	12.50	9.44	2.83	44.27	13.28	3.69
4A	0.00	10.50	6.94	2.08	37.19	11.16	4.36
4B	0.00	8.50	4.81	1.44	30.10	9.03	5.26
5	0.00	4.00	3.06	0.92	14.17	4.25	3.63

* The adjusted value is based on a three-year (1987-1989) average price of wheat equal to $3.90 and a capitalization rate of 13.765%. Yield is bushels of wheat per acre.

** Interpolated from current schedules.

APPENDIX TABLE 12. *CLASS 5*: GRAZING LAND (Mandated)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A2	0.00	2.00	71.69	21.51	248.18	74.46	2.46
1A1	0.00	4.00	44.18	13.25	124.09	37.23	1.81
1AP	0.00	5.50	31.27	9.38	90.25	27.07	1.89
1A	0.00	8.00	20.51	6.15	62.05	18.61	2.03
1B	0.00	14.50	10.53	3.16	34.23	10.27	2.25
2A	0.00	20.00	7.17	2.15	24.82	7.45	2.46
2B	0.00	24.50	5.42	1.63	20.26	6.08	2.74
3	0.00	32.50	3.72	1.12	15.27	4.58	3.11
4	0.00	46.50	2.52	0.76	10.67	3.20	3.24
5	0.00	77.50	1.47	0.44	6.40	1.92	3.36
6	0.00	125.00	0.82	0.25	5.00	1.50	5.10

* The adjusted value is based on a three-year (1987-1989) average of grazing fees equal to $9.11 and a capitalization rate of 13.765%. Yield is acres per animal unit month.

** Interpolated from current schedules.

APPENDIX TABLE 13. *CLASS 6*: CONTINUOUSLY-CROPPED HAYLAND (Mandated)

Grade	Water Cost	Yield	Current Assessed Value	Current Taxable Value	Adjusted* Assessed Value**	Adjusted* Taxable Value	Relative Change in Taxable Value
1	0.00	3.00	67.60	20.28	278.21	83.46	3.12
2	0.00	2.70	53.03	15.91	250.39	75.12	3.72
3	0.00	2.20	41.38	12.41	204.02	61.21	3.93
4	0.00	1.70	29.43	8.83	157.65	47.29	4.36
5	0.00	1.20	19.38	5.81	111.28	33.38	4.74
6	0.00	0.70	10.05	3.02	64.91	19.47	5.46
7	0.00	0.25	5.54	1.66	23.18	6.96	3.18

* The adjusted value is based on a three-year (1987-1989) average price of hay equal to 63.83 x .80 and a capitalization rate of 13.765%. Yield is tons of hay per acre.

** Interpolated from current schedules.

APPENDIX TABLE 14. *CLASS 7*: NON-IRRIGATED CONTINUOUSLY-CROPPED FARMLAND (Mandated)

Grade	Water Cost	Yield	Current Assessed Value	Current Taxable Value	Adjusted* Assessed Value**	Adjusted* Taxable Value	Relative Change in Taxable Value
1A4	0.00	44.50	125.71	37.71	315.20	94.56	1.51
1A3	0.00	42.50	116.94	35.08	301.04	90.31	1.57
1A2	0.00	40.50	108.17	32.45	286.87	86.06	1.65
1A1	0.00	38.50	99.40	29.82	272.70	81.81	1.74
10	0.00	36.50	90.63	27.19	258.54	77.56	1.85
1	0.00	34.50	81.86	24.56	244.37	73.31	1.99
2	0.00	32.50	73.09	21.93	230.20	69.06	2.15
3	0.00	30.50	64.81	19.44	216.04	64.81	2.33
4	0.00	28.50	57.05	17.11	201.87	60.56	2.54
5	0.00	26.50	49.75	14.92	187.70	56.31	2.77
6	0.00	24.50	42.96	12.89	173.54	52.06	3.04
7	0.00	22.50	36.67	11.00	159.37	47.81	3.35
8	0.00	20.50	30.87	9.26	145.21	43.56	3.70
9	0.00	18.50	25.56	7.67	131.04	39.31	4.13
10	0.00	16.60	20.75	6.22	117.58	35.27	4.67
11	0.00	14.50	16.41	4.92	102.71	30.81	5.26
12	0.00	12.50	12.59	3.78	88.54	26.56	6.03
13	0.00	10.50	9.25	2.77	74.37	22.31	7.04
14	0.00	5.00	6.41	1.92	35.42	10.62	4.53

* The adjusted value is based on a three-year (1987-1989) average of wheat equal to $3.90 and a capitalization rate of 13.765%. Yield is bushels of wheat per acre.

** Interpolated from current schedules.

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ADDENDUM B

PROPERTY TAX INCENTIVES FOR BUSINESSES IN MONTANA

Business Property Tax Incentives

In Montana, the property tax is the primary source of funding for local governments. Recognizing that part of the cost of doing business is property tax payments, the Legislature has provided property tax incentives to lessen the burden of property tax payments in the hopes of spurring economic growth in Montana. This paper will discuss the property tax incentives available to the business community in Montana. Provisions of the incentives that were modified or created by the 1991 Legislature are noted in ***bold italic***.

Property tax incentives can generally be divided into two categories: property tax abatements and property tax exemptions. Property tax abatements result in a reduction in the taxable value of the property. This is accomplished by directly reducing the taxable value of property or by applying a reduced tax rate to the property's assessed value. A property tax exemption will exclude part or all of the entire value of property from taxation. A third type of incentive available is the suspension and cancellation of delinquent property taxes to facilitate the purchase and continued operation of a business.

Property Tax Abatements

New Industry
(State Option)

New industrial property, including real and personal property, is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property) for the first three years of operation.

Eligibility :

- "New industry" means any organization that establishes a new plant in Montana for the operation of a new industrial endeavor, as distinguished from a mere expansion, reorganization, or merger of an existing industry.
- New industry includes only those industries that:

  (i) manufacture, mill, mine, produce, process, or fabricate materials;

  (ii) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials;

(iii) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the *1987* Standard Industrial Classification Manual prepared by the United States office of management and budget;

(iv) engage in the transportation, warehousing, or distribution of commercial products or materials if 50% or more of the industry's gross sales or receipts are earned from outside the state; or

(v) earn 50% or more of their annual gross income from out-of-state sales.

Qualifying Property:

- All real and personal property of the new industry.
- New industrial property does not include:
  (i) property used by retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions *unless the business or profession meets the eligibility requirements of (v) above.*

  (ii) a plant that will create adverse impact on existing state, county , or municipal services; or

  (iii) property used or employed in any industrial plant that has been in operation in this state for 3 years or longer.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property.

New or Expanding Industries (Local Option)

If approved by the local governing body, property used by certain new or expanding industries is eligible for reduced taxable valuation (up to 50% of their taxable value for the first 5 years) during the first 9 years after construction or expansion.

Eligibility :

- Industry includes, but is not limited to, a firm that engages in the;

  (i) mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the *1987* Standard Industrial Classification Manual prepared by the United States office of management and budget;

  (ii) extraction or harvesting of minerals, ore, or forestry products;

  (iii) processing of Montana raw materials such as minerals, ore, agricultural products, and forestry products;

  (iv) transportation, warehousing, or distribution of commercial products or materials if 50% or more of the industry's gross sales or receipts are earned from outside the state; or

  (v) earning of 50% or more of their annual gross income from out-of-state sales.

- New means that a firm is new to the jurisdiction approving the abatement and has invested a minimum of $*125,000* worth of qualifying improvements or modernized processes within the jurisdiction. Property that qualifies as new industry property under the state option discussed above cannot qualify as new industry property under the local option.

- Expanding means that the industry has added a minimum of $*50,000* worth of improvements or modernized processes to its property within the same taxing jurisdiction.

- The governing body of the affected county or the incorporated city or town must have approved by resolution the abatement.

Qualifying Property:

- The added improvements and/or added modernized processes.

Benefits:

- The tax benefit received is a percentage multiplier applied to the increase in taxable value of the qualifying improvements or modernized processes. The tax benefit applies to the number of mills levied and assessed for high school district and elementary school district purposes and to the number of mills levied and assessed by the local governing body approving the benefit.

Construction period	0%
First year following construction	50%
Second year following construction	50%
Third year following construction	50%
Fourth year following construction	50%
Fifth year following construction	50%
Six year following construction	60%
Seventh year following construction	70%
Eight year following construction	80%
Ninth year following construction	90%
Tenth year following construction	100%
Following Years	100%

Remodeling/ Expansion of Existing Buildings (Local Option)

If approved by the local governing body, remodeling, reconstruction or expansion of existing buildings or structures may qualify for a reduced tax rate for five years following construction.

Eligibility :

- The remodeling, reconstruction, or expansion of existing buildings or structures must increase the taxable value of the buildings or structures by 2 1/2%.

- The governing body of the affected county or the incorporated city or town must have approved by resolution the abatement.

Qualifying Property:

- The newly added remodeled, reconstructed, or expanded improvements.

Benefits:

- The tax benefit received is a percentage multiplier applied to the increase in taxable value caused by the remodeling, reconstruction, or expansion. The tax benefit applies to the number of mills levied and assessed for high school district and elementary school district purposes and to the number of mills levied and assessed by the local governing body approving the benefit.

Construction period	0%
First year following construction	20%
Second year following construction	40%
Third year following construction	60%
Fourth year following construction	80%
Fifth year following construction	100%
Following Years	100%

Expanding "Value-Added" Machinery and Equipment (Local Option)

If approved by the local governing bodies, an existing value-added industry that expands to include value-added machinery and equipment is entitled to receive a decrease in the tax rate for the value-added machinery and equipment. ***This incentive was created by the 1991 Legislature.***

Eligibility :

- Value-added industry is a firm that engages in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget and engages in the

  (i) processing of Montana raw materials such as minerals, ore, oil, gas, coal, agricultural products, and forestry products; or the

  (ii) processing of semifinished products produced in Montana that are used by the industry as a raw material in further manufacturing.

- The new value-added machinery and equipment must directly result in the creation of new jobs.
- Local governing bodies must approve by resolution the abatement.

Qualifying Property:

- Machinery and equipment, used for value-added manufacturing and processing, that results in the hiring of new full-time employees.

Benefits:

- The tax benefit received is a reduced tax rate, from 9% to as low as 3%, for the qualifying property. The amount of reduction is determined by the number of new full-time employees. The tax benefit applies to the number of mills levied and assessed by each local governing body approving the benefit. The benefit also applies to statewide levies if the governing body approving the benefit is a county, consolidated government, or incorporated city or town.

Research and Development

Property devoted to research and development is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property).

Qualifying Property:

- All land and improvements and personal property owned by a research and development firm and actively devoted to research and development.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and does not phase-out with time.

Pollution Control Equipment

Air and water pollution control equipment is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property).

Qualifying Property:

- Facilities, machinery, or equipment used to reduce or control water or atmospheric pollution or contamination by removing, reducing, altering, disposing, or storing pollutants, contaminants, wastes, or heat.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and does not phase-out with time.

Gasohol Producing Equipment

Property used to produce gasohol is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property) for the first three years of its operation.

Qualifying Property:

- Any real or personal property used primarily in the production of gasohol.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and is available during construction and the first three years of operation.

Electrolytic Reduction Facilities

Machinery used in electrolytic reduction facilities is eligible for a taxable valuation rate of 3% (normally 9% for personal property).

Qualifying Property:

- Machinery used in electrolytic reduction facilities.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and does not phase-out with time.

Canola Seed Oil Processing Facilities

Machinery used in canola seed oil processing is eligible for a taxable valuation rate of 4% (normally 9% for personal property).

Qualifying Property:

- Machinery and equipment used in a facility that extracts oil from canola seeds, refines the crude oil to produce edible oil, formulates and packages the edible oil into food products, or engages in any one or more of those processes, and employs a minimum of 15 employees in a full-time capacity.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 4%. The tax benefit applies to all mills levied on the property and does not phase-out with time.

Idle Agricultural and Timber Processing Plant (Local Option)

If approved by the local governing body, agricultural and timber processing plants that have been idle for 12 consecutive months may receive property assessment reductions of 25% a year for each year the plant continues to be idle.

Eligibility :

- All real and personal property devoted exclusively to the processing of agricultural or timber products, is integrally related in a single working unit, and:

  (i) has been idle for 12 consecutive months or has been acquired in an arm's-length transaction by an unrelated person, including an acquisition in a foreclosure sale or bankruptcy proceeding; or

  (ii) has been acquired in a foreclosure or bankruptcy proceeding by a person having no relationship to or interest in the property prior to the transaction.

- The governing body of the affected county or the incorporated city or town must have approved by resolution the abatement.

Qualifying Property:

- Real and personal property of idle agricultural and timber processing plants.

Benefits:

- The tax benefit received is a reduced market valuation. The assessed value is reduced by 25% a year for each year the property is idle until the fourth year when the value is reduced to salvage value. The tax benefit applies to the number of mills levied and assessed for high school district and elementary school district purposes and to the number of mills levied and assessed by the local governing body approving the benefit.

Property Tax Exemptions

Exemption for Business Incubators (Local Option)

If approved by the local governing body, a business incubator owned ***or leased*** and operated by a local economic development organization is eligible for an exemption from property taxes.

Eligibility :

- Business incubator means a facility that leases space to and provides shared services (receptionist, copying, secretarial, etc.) and business assistance (marketing plans, business plans, accounting, administration, etc.) to new businesses in order to improve their chances of success.

- Local economic development organization means a private nonprofit organization whose primary purposes are to develop the economy of its area and to provide assistance to businesses in that area.

- The governing body of the affected county, consolidated government, incorporated city or town, or school district in which the property is located in must have approve the tax exemption by resolution.

Qualifying Property:

- All real and personal property of the business incubator.

Benefits:

- The tax benefit received is complete exemption from the number of mills levied and assessed by the governing body approving the exemption, ***and exemption from state mills.***

Industrial Parks (Local Option) If approved by the local governing body, an industrial park owned and operated by a local economic development organization or port authority is eligible for an exemption from property taxes.

Eligibility :

- Industrial park means property zoned for light and heavy industry. The term includes fully developed or partially developed land and improvements and undeveloped land.

- Local economic development organization means a private, nonprofit organization whose primary purposes are to develop the economy of its area and to provide assistance to businesses in that area.

- The governing body of the affected county, consolidated government, incorporated city or town, or school district must have approved the tax exemption by resolution.

Qualifying Property:

- All real and personal property of the industrial park.

Benefits:

- The tax benefit received is complete exemption from the number of mills levied and assessed by the governing body approving the exemption, ***and exemption from state mills.***

The following property is exempt from all property taxation:

General Business Exemptions:

- Business inventories and freeport merchandise.
- All down-hole equipment in oil and gas wells.
- All property used for the exclusive purpose of filming motion pictures or television commercials, provided the property is not in the state in excess of 180 consecutive days.
- The title plant owned by a title insurer or title agent.
- The first $15,000 or less of value of hand-held tools.
- The first $100,000 or less of the value of non-fossil forms of energy generation.

Agriculture Exemptions:

- All unprocessed agricultural products.
- All producer-held grain in storage.
- Livestock that has not obtained the age of 24 months.
- Swine less than 6 months of age.
- Poultry and the unprocessed products of poultry.
- Bees and the unprocessed product of bees.
- Personal property exclusively used to plant, cultivate, or harvest sugar beets if the property has been idle in the preceding 2 years and there are no available sugar beet contracts in the sugar beet grower's marketing area.
- All harness, saddlery and other tack equipment.
- Sprinkler irrigation systems.
- Farm buildings with less than $500 in value, and agricultural implements and machinery with less than $100 in value.

Suspension and Cancellation of Delinquent Property Taxes

Suspension, Cancellation of Delinquent Taxes (Local Option)

If approved by the local governing body, delinquent property taxes on commercial property may be suspended to facilitate the purchase and continued operation of a business utilizing the commercial property.

Eligibility :

- The property has not been used in a business for 6 months immediately preceding the date of suspension.
- The purchase of the commercial property:

  (i) is an arm's length transaction,

  (ii) is not a restructuring of ownership for the primary purpose of escaping payment of delinquent property taxes, and

  (iii) is in the best interest of the people of the county or consolidated government.
- The governing body of the affected county or the incorporated city or town must have approved by resolution the abatement.

Benefits:

- The tax benefit received is a suspension or cancellation of the delinquent property tax if the purchaser of the commercial property continuously utilizes the property in a profit-oriented, employment-stimulating business for 3 years from the date of purchase. The suspension or cancellation of delinquent property taxes applies to all mills levied by local governments and by the state. ***If the purchaser is obtaining financing as a part of a purchase agreement, the purchaser may request and the governing body may grant a subordination of the suspended tax lien to the financing.***

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